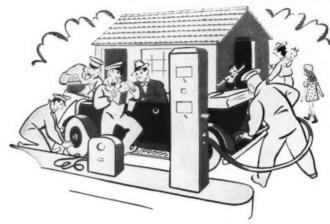
BANNONG

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

WH	Y SMALL	CAPITAI	COMES HIGH_	_RILEY	ELGEN_		19
UNS	SOUND BA	ANKING_		_HUGH	S. JOHNS	SON	32
Тн	E CONDITI	ion of Bu	SINESS				I
Ho	ME Town	BUILDERS	3	W. M. S	HERRII	LL	21
Aun	COMOBILE	FINANCIA	N G	_CORRE	SPOND	ENCE	22
100	BANK SL	OGANS		T. D. M	AcGREG	OR	24
Тн	E BIGGEST	PAYROLL	Снеск Јов	G. E. M	AcDONA	LD	26
Ho	w то Мак	KE ADVERT	rising Talk	_MILTO	N WRIC	GHT	28
			G				9
Тн	E TREND	of Things	8	PICTU	RES		33
SEL	LING CRE	DIT		PICTU	RES		36
Сн	APTERS CI	HOOSE CH	EERFULLY	PICTU	RES		.38
Roo	CHESTER'S	FOOD STA	AM PS	PICTU	RES		.39
Тн	E SECRET	SERVICE E	NLISTS THE PUBLI	c PICTU	RES		41
			Golden Jubilei				
			Analysis Plan_				
Тн	E LEGAL A	Answer P	AGE				-57
HE	ARD ALON	G MAIN S'	TREET				.66
• B	ANKING'S	DIGEST					73

A Dollar's Worth of Gas, please... (and a Dollar's Worth of Service)

... AND HE GETS IT WITH A SMILE



ALL the service roll. This customer wants them all-air. water, windshield (don't forget the battery) rest room, road maps, an opinion on the weather, the use of a few tools. And he gets it with a smile because the modern service station is typical of American business enterprise, justifying a slight profit by providing convenience, speed, and the reliable products which go along with friendly service. It's a typical American institution, like nothing else in the world, yet part of the profit system, independent and vigorous.

When the local service station, repair shop, garage, or automotive dealer buys insurance from the experienced agent or broker of a stock insurance company, he does not say, "\$50 worth of insurance, please."

He asks for and gets the advice and full service of an expert purchasing agent in the complex insurance field, like himself an expert middleman. No worries about uncovered risks that might wreck a business.

Because we believe so thoroughly in the services of an expert middleman whether service station, expert repair service, or automotive dealer, we refuse to accept business direct because it is not in the interest of the Company or the assured to do so. When you buy National Surety Fidelity Bonds, Surety Bonds, Burglary or Forgery Insurance through your local insurance agent or broker, you deal with a customer and friend who is a fellow member and supporter of the American Business System.

This is a reprint of an advertisement of a stock-insurance company directed to the independent business men in the automotive service field in your city.

The commercial bank, like these business men, is a middle-man. Its customers and its directors are chiefly independent business men—representative of the American Business System.

NATIONAL SURETY CORPORATION

VINCENT CULLEN, President

The Condition of BUSINESS

THE OUTLOOK. All things considered, business is in a fairly strong position to advance, but the truth is, most persons engaged in business are so tired of the economic horseplay of the last few years that they do not have the spirit to go very far.

CROSS INDEX. BANKING'S index of the general trend of business, obtained from a poll of 3,000 bank directors and bank presidents in all sections of the country, compared with the

previous month, reflects an even trend.

Thirty-six per cent of those polled for the purpose of this summary said business was getting better, 42 per cent found conditions about static and 22 per cent reported a decline. This compares with a month before when 35 per cent said that the direction was up, 35 per cent reported that their respective enterprises were holding their own, and 30 per cent reported an unfavorable trend.

Here is a tabulation of the poll for the last six months, giving percentages of replies under the three general questions asked:

	Up	Unchanged	Down
January	45	38	17
February		38	23
March	39	46	15
April	34	40	26
May	35	35	30
June		42	22

Interest Rates Down. The movement toward lower interest rates paid by banks on time deposits is rapidly turning into a general downward trend. Reports to Banking from clearinghouses throughout the country indicate that it is no longer a case of isolated cuts but a widespread shifting toward lower interest rate levels. According to our reports the downward trend is not so marked in the West and South where the pressure of unemployed funds is less urgent.

Detailed reasons for the reduction are being given to depositors in many cases. "It is a common practice of governments," said one Utah bank in its notice to depositors, "when they are borrowing large amounts and operating with ever increasing deficits to make use of their powers to manage interest rates downward, in order that they may borrow money at the lowest possible rate. Government bonds being numbered among the highest grade securities are naturally carried in large amounts in the investment accounts of banks. . . . A savings account means self-reliance, and the savings depositor is numbered among the best of the citizenry of this country. It is not a pleasant duty with which we are confronted in advising you of the necessity of a reduction in the interest rate which we will pay upon your account. We sincerely trust that the present interest trend will change to permit of increased bank earnings, and in turn permit us to pay to you a higher rate on the money which you have saved and entrusted to us."

SALES RESISTANCE. Banks are finding it difficult to get good loans and are meeting with real sales resistance in their efforts to attract borrowers. Every possible means of promotion through advertising, direct mail and personal consacts of officers, are being used to sell credit and put money to work. Loans still remain a drug on the market and idle bank credit will very probably reach new record peaks.

The nature of this phenomenon is capable of various explanations but as a reflection of the extraordinary state

of business sentiment in the United States, it is perfect.

MARX HAD A WORD FOR IT. While public opinion is turning definitely toward a constructive point of view on business, and the friends of private enterprise in Government circles are no longer apologizing for their old-fashioned views, a brand new Socialistic what-is-it has been delivered. The idea is simply to use idle funds in banks for a new kind of pump priming which would not be a direct burden on the national budget. The proposition takes various forms but all have in common the purpose of giving Class B borrowers access to bank depositors' money, with the Government insuring the loans and the taxpayers holding the bag.

THE END OF THE RAINBOW. The respectful attention being given to the plan by many legislators, together with the certainty that it would have the earnest support of all who feel they need money badly, is creating a disturbing element of no small importance. The mere fact that a proposal like this gains such quick eminence proves that we are still avoiding a frank approach to the spending issue and the menace of a chronically unbalanced Federal budget. The search for the end of the rainbow still goes on. To complete the travesty the whole idea is being pushed forward, not as a Marxist vision, but under the guise of doing something to help business.

<u>Labor</u>. Problems connected with the Wagner Act and labor relations generally are still a major obstacle to any real recovery. As long as nothing is done to assure employers a fair deal in their contacts with unions the average borrower, who is just an ordinary human being, will not be inclined to face the risk, the worry and harassment connected with new undertakings.

CAPITAL MARKET. There are some indications that the volume of securities publicly offered will show an increase during the second half of the year. Before any important upward movement can occur there must be some relief from regulations and red tape which have made the cost of issuing securities prohibitive, particularly the smaller issues.

The Foreign Outlook. Trouble-makers are still in charge of the international news-making business. While the vast majority of people want nothing but peace, so that business can proceed normally, the people who have something to quarrel about are creating most of the front page material. The industries that stand to profit from war preparations are still receiving their regular daily fillip of threats, clashes, reprisals and international mischief of all kinds.

To the Rear. A comparison of today with a decade ago shows that we have been advancing diligently to the rear. General industrial production last year, for example, was about 25 per cent lower than in 1929. Taxes and labor costs were higher by a considerable degree. The general price level last year was substantially lower than 1929 and corporate earnings averaged less than half those of 10 years ago.

Nevertheless, there were 80 large corporations showing gains in their 1938 earnings over those of 1929. Twenty had profits 100 per cent or more above those of 1929. An examination of this list of depression-defying companies shows that they include the following lines of business: food, retail, medicine, tobacco, oil, silk, rubber, paper, sugar, public utilities, liquor, chemicals, aircraft, mining and finance companies. There were three of the last named included in the list of 80.

WILLIAM R. KUHNS

0-

in

55

1



COMPTOMETER

BANK PROOF UNIT

WASHINGTON

Capital Credit

8"

NTER-DEPARTMENTAL conferences in Washington have been considering three new major propositions for providing capital credit facilities for small business concerns. The first is contained in the bill of Senator Mead of New York which would authorize the R.F.C. to insure loans not in excess of \$1,000,000 up to 90 per cent of their face when made to individuals or corporations for any business purpose. For this service the R.F.C. would charge ½ of 1 per cent of the loan, the whole being managed along the lines of FHA insurance.

The second proposal is that of Chairman Marriner S. Eccles of the Federal Reserve Board who suggests the organization of a new corporation to be operated in connection with the Federal Reserve System with a capital of \$100,-000,000 taken from the paper profits of the devaluation of the dollar. The new corporation would be authorized to issue its debentures in the amount of five times its capital and from its combined funds make loans to business on liberal terms and liberal collateral requirements, operating either directly or through commercial banks. Of the corporation's total funds, \$25,000,000 would be set aside for the purpose of making loans of from \$500 to \$25,000 which would be fully insured by a charge of not to exceed 1/2 of 1 per cent insurance premium. Incidentally Mr. Eccles recommended the repeal of the law authorizing the Reserve banks to make direct loans to business with a maturity of not to exceed five years and limited to business concerns already established on the ground that this system does not meet the requirements of the situation.

The third proposal is that the present extensive powers of the Secretary of the Treasury granted in connection with the devaluation of the dollar and the establishment of the stabilization fund be used to meet the credit problem through the Treasury itself.

Intermediate Credit

MEANWHILE, THE MOVEMENT for the

mediate credit banks for service to industry has been lagging, chiefly, it appears, for lack of Administration support on the one hand and opposition from bankers on the other. The whole question is tied up with broader considerations in which a new spendinglending program of the Government designed to take the place of private capital in financing industry and commerce is the dominant factor. Whatever plan may be adopted at the present session of Congress to meet immediate demand for capital credit is likely to be temporary and will be merged into a more comprehensive system of government credit by Congress in next year's session if important and influential authorities in Washington have their way about it.

Term Loans

According to data presented to the Senate Banking and Currency Committee by Chairman Eccles of the Federal Reserve Board, reporting member banks on April 19, when the Board made a special survey, had 24,600 loans aggregating approximately \$1,410,000,000

establishment of a system of intermediate credit banks for service to industry has been lagging, chiefly, it appears, for lack of Administration support on the one hand and opposition from bankers on the other. The whole question is tied up with broader considerations in which a new spending-leading program of the Government loans run for much more than one year.

Settling Tax Arrears

THE H.O.L.C. is in the midst of an active campaign to enable owners of property covered by the Corporation's loans to fund arrears of taxes in various states where new laws provide for the remission of penalties in cases where delinquents arrange to fund their arrears and gradually pay them off. The general plan followed is for the Corporation to advance the taxes and add enough to the monthly payments due from the debtors to pay out within a reasonable time.

Examination for Examiners

THE SECOND EXAMINATION for appointment as assistant bank examiners to be held by the F.D.I.C. during July (CONTINUED ON PAGE 5)

LOANS TO BUSINESS

Chairman Eccles of the Federal Reserve Board, right, told the Senate Banking and Currency Committee that he believed the Mead Bill would not result in any substantial increase in bank loans. Mr. Eccles' own plan for providing small capital credit is outlined elsewhere on this page



HARRIS & EV

BANKING - Published monthly by the American Bankers Association, 22 East 40th Street, New York City-\$3.00 per year.

Volume XXXII, No. 1. Copyright 1939. Harold Stonier, Publisher; William R. Kuhns, Editor. Assistant Editors, William P. Bogie and John L. Cooley. Production, August A. Small. Field Representatives: Alden B. Baxter, Advertising Manager, Prentiss Jackson, Jr., Robert J. Stiehl, 22 E. 40th St., New York City; Robert W. Kneebone, 230 N. Michigan Ave., Chicago, Ill.; R. J. Birch & Co., San Francisco, Cal.; Stanley Ikerd, Los Angelson office, Washington Building, 15th St. and Pennsylvania Ave. Subscriptions: \$3 yearly; Canada, \$3.36; foreign, \$3.72; single copies, 25 cents. Entered as second-class matter May \$5, 1909, at the Post Office at New York, N. Y., under the Act of March 3, 1879. Additional entry at Concord, N. H. With the exception of official Association announcements, the American Bankers Association disclaims responsibility for opinions expressed and statements made in articles published in this Journal.



Study your borrower's "Tomorrow"!

Today his Capital, Capacity, Character may justify granting credit. But what about ability to pay back when his income shrivels in fire that cuts off the means of making money... in manufacturing, merchandising and other lines!

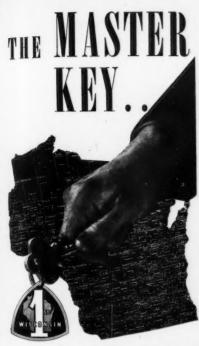
Bankers who are protection-minded make credit inquiry a twin task—to examine not only the Financial, but also the *Insurance* Statement of borrowers. They know that when their borrower is protected from loss of *invisible* values, an additional safeguard is thrown around the source of bank income.

U & O—Use and Occupancy Insurance is a timely coverage that bolsters your borrower's balance sheet after the occurrence of fire, windstorm, aircraft damage. Attached to his standard risk policy, it guarantees payment of prospective earnings counted on to meet fixed charges and expenses, when business suffers interruption at the hand of hazard.

The Home agent in your city fully understands that to protect borrowers' income is to strengthen your loans. Enlist his support in having borrowers' earnings, and your bank's income, shielded with Use and Occupancy Insurance.

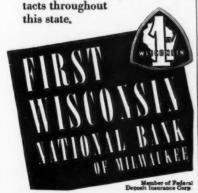
THE HOME INSURANCE COMPANY NEW YORK

FIRE - AUTOMOBILE - MARINE and ALLIED LINES OF INSURANCE



... to prompt collection of Wisconsin items

• Of the 594 banks in Wisconsin, 516 are First Wisconsin correspondents. This is the master key to prompt, efficient, economical collection of Wisconsin checks and drafts. For these hundreds of banks . . . linked by mutual interests and mutual service ... constitute a statewide network uniquely geared to the Wisconsin needs of other banks and business corporations. Bank officials and business executives are invited to write for a copy of our interesting, unusual WISCON-SIN SERVICE MAP . . . showing in detail the scope of First Wisconsin correspondent con-



(CONTINUED FROM PAGE 3)

and August is expected to attract applications from several thousand college graduates and junior bankers. The first examination, held last December, attracted more than a thousand applicants of which approximately 500 qualified for the written examination resulting eventually in the appointment of 17 assistant examiners in the Richmond and Chicago districts.

Cotton Loans

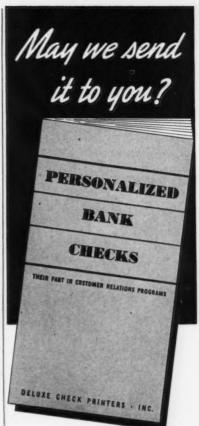
THE R.F.C. announces that banks which hold 1938-1939 cotton loan contracts of the Commodity Credit Corporation can arrange to continue their investment in such loans after July 31 by executing a supplemental agreement under which the Corporation will purchase producer's notes for face value plus interest from date of issue through July 31st at 21/2 per cent and from July 31 to date of purchase at the rate of 1 per cent. The Corporation proposes to purchase all 1937-1938 cotton loans carried by banks under supplemental 11/4 per cent contracts during July. There are approximately \$180,-000,000 of the 1938-1939 and \$95,000,-000 of the 1937-1938 loan contracts.

Bank Real Estate Holdings

IN THE first nine months of the fiscal year just closed member banks in the Reserve System disposed of \$27,040,000 net of real estate held under foreclosure, down to \$314,835,000 from \$341,-875,000 on March 7, 1938. Liquidation was more rapid in the quarter from December 31 to March 31 than in the previous quarters. This bears out the general understanding in supervisory offices that banks now realize that they face a rather static real estate market indefinitely and that they had better liquidate their holdings as rapidly as possible upon the basis of current conditions.

Relief Rolls

THE W.P.A. starts the new fiscal year with approximately 2,500,000 relief workers on its rolls. This number is approximately 500,000 more than was computed by the Administration as that which could be carried by the appropriation of \$1,750,000,000 asked by the President for the new year. One reason for the current high number has been the desire of the Administration to obligate all funds remaining from the appropriation for the year just closed. It is also claimed that many persons dropped from the rolls in the April–June purge were unable to find work.



No "mis-sorts" when customers use imprinted checks. This booklet explains how customers may use personalized checks at low cost. Send for your copy.



LANTS AT	CHICAC
CANSAS CITY	NEW YO

CLEVELAND ST. PAUL

Please Check	aklin St., Chicago, Ill. s send "Personalized Bank s—Their Part in Customes on Programs."
Bank	
Address	CENTRAL CONTROL CONTRO

G

93c a day pays cost of YEAR 'ROUND COMFORT

Commercial National Bank, Muskogee, Okla., keeps Cool in Summer, Warm in Winter, Clean All Year





1. SUMMER AND WINTERthe Commercial National Bank maintains comfort with central station Carrier Air Conditioning at an average cost of only 93 cents a day! In Summer, the cool, clean, perfectly ventilated interior means healthier, more efficient workers and satisfied patrons. In Winter, Carrier year 'round air conditioning provides heating and healthful humidity, positive air circulation and cleanliness. Bank officials report, too, that walls decorated more than one year ago are still clean.



2 READY FOR BUSINESS is this new Carrier development in selfcontained Air Conditioners. This all-in-one air conditioner comes in nine sizes and will fit in any unused corner, closet or basement space. It is quickly installed with only three simple connections. It provides true air conditioning for one room or an entire banking space. Cost? Economical as always, with Carrier equipment!

Order Now for Summer Benefits!

It is never too late to provide your patrons with the benefits of Carrier Air Conditioning —comfortable, clean, pleasant surroundings. And your employes will benefit, too, with increased efficiency and better health. In the American National Bank. Nashville, for instance, employes handled 10,000 more items in 2½ hours less time after Carrier Air Conditioning was installed.

Carrier Air Conditioning is designed to fit your particular specifications. There are single units for individual rooms or an entire floor. Or there are central systems utilizing the famous Carrier Centrifugal Refrigeration Machine for cooling an entire building. What's

Carrier Igloo



New York World's Fair more, every Carrier Air Conditioning installation is backed by 37 years' experience in developing and installing air conditioning.

Call your local dealer today. You still have months of hot weather to enjoy and profit from Carrier Air Conditioning, and many months of the year to enjoy its additional benefits. You'll be surprised how quickly and economically your Carrier system can be installed. Act now—it pays!

CARRIER CORP., Syracuse, N. Y., Desk G36
"Weather Makers to the World"
In Canada—Box 1050, Station C, Toronto
Send me complete information on Carrier
Air Conditioning for Banks and the Carrier
self-contained Air Conditioners.

Address.....

Cotton Conference

According to the Department of Agriculture the International Cotton Conference to be held in Washington commencing September 5 is to be "exploratory" only. In other words, it is to be a conference to see if it will be worth while to call another conference which will get down to brass tacks and work out a quota arrangement similar to that respecting sugar, rubber, tin or what have you. The milk in the cocoanut is that when this year's cotton crop starts to move there will be a surplus of around 14,000,000 bales of old crop American cotton on hand alone. not to mention smaller surplus supplies in other countries. It will require considerable conferring to get around stubborn facts of this sort.

National Income

FEDERAL AUTHORITIES point out that in spite of fluctuations in various business indices and stock market variations retail demand has remained steady for the first half of the current year and national income has ranged from 10 to 12 per cent above that of a year ago while the cost of living has ranged slightly lower. A more pronounced advance in general business averages has been retarded by comparatively few though important industries.

Rates on Deposits

No one knows the intentions of the Federal Reserve Board in matters of policy until it makes formal declaration, but it is generally agreed that it is unlikely any action will be taken in the near future in the direction of further reducing the maximum rates which member banks may pay upon deposits. At the same time it is known that the Reserve authorities are very sympathetic towards movements among bankers themselves to establish lower maximum rates.

Formal action by the Board is more or less inhibited by pressure from country banks, especially in the West and South where the pressure of unemployed funds is not so great as upon metropolitan banks and where banking customs and local conditions render it advisable to hold time deposit rates at present levels. In Reserve and Central Reserve cities and in the larger centers generally, however, it is rather widely agreed that present earnings from Government securities and the low volume of loans do not justify even the low rates that are now being paid upon time deposits.

GEORGE E. ANDERSON

"Unforeseen events... need not change and shape the course of man's affairs"



THE BUMPER IS MORE DEADLY THAN THE BAYONET

It is ironic that in our concern for the future safety of our youngsters, we too often lose sight of present dangers.

We worry lest they grow up to be sacrificed to war. But we fail to recognize that our modern civilization has made the bumper fully as deadly as the bayonet.

This year approximately 3,400 children will die beneath automobile wheels. In many cases the accidents will be needless. The Maryland does not subscribe to the theory that faster transportation must of necessity be accompanied by a corresponding increase in automobile traffic fatalities.

The answer? It lies in the education of both pedestrian and driver. As a nation we must further stigmatize careless driving.

Cold steel is deadly, whether in the shape of a bayonet or a bumper. The grim difference is that traffic can kill off our children long before they are old enough to march away to war. Maryland Casualty Company, Baltimore.

MARYLAND

The Maryland writes more than 60 forms of Casualty Insurance and Surety Bonds. Over 10,000 Maryland agents are equipped to help you obtain protection against unforeseen events in business, industry and the home.

of

ton

ısi-

for nd

go red ced ges ely

he of on, ınhe

er ch ts.

he a-

ık-

xi-

ore m

est

n-

on

ng

it at

ral ers ly

Vne W

on

IG



Commercial Banking

BANKERS TRUST COMPANY

16 WALL STREET, NEW YORK

FIFTH AVE. AT 44TH ST.

57TH ST. AT MADISON AVE.

LONDON: 26 OLD BROAD ST.

Member of the Federal Deposit Insurance Corporation

JUST A MINUTE

A Banker's Library

WHILE Today and Tomorrow are being feted on New York's Flushing Meadows, the Pierpont Morgan Library on Murray Hill, Manhattan, compliments Yesterday by showing choice items from the Library's world-famous collections of drawings, illuminated and autograph manuscripts, documents, letters and printed books.

The exhibition, held, as the catalogue says, "on the occasion of the New York World's Fair 1939", is open to the public and extends through October 31. It is attracting many visitors who find this display of man's creations in art and literature a noteworthy supplement to the wonders of the Fair.

Here, for the effort that it takes to walk into the Library at 29-33 East 36th Street, are to be seen half a hundred illuminated manuscripts, including some 9th Century Gospels; original drawings by such masters as Lippi, Tiepolo, Rubens, Van Dyck, Duerer, Rembrandt, Lorrain, Watteau, Fragonard, Gainsborough, Reynolds, Blake and Hogarth; and a large collection of Rembrandt etchings.

Among the printed books shown are first and rare editions of many world classics, while the autograph manuscript collection offers a survey course in English literature, literally as it was written. Book I of Paradise Lost, Endymion, The Lady of the Lake, A Christmas Carol, Captains Courageous, Vanity Fair, Pope's Essay on Man, two cantos of Don Juan, to mention a

items in manuscript include Thanatopsis, Annabel Lee, The Deerslayer, The Autocrat of the Breakfast Table, and Pudd'nhead Wilson. Particularly interesting, among the letters, is the note Cornwallis wrote to Washington proposing an armistice. There is also a letter from Washington's mother to her

The press has enthusiastically acclaimed the exhibition, calling it one of the outstanding "things to be seen" in New York currently.

The Check Was Good

A RECENT Associated Press dispatch from Bloomsburg, Pennsylvania, told this story:

Samuel Johnston bet his friend Horace Williams \$10 it would rain at a certain store, on a certain day and at a certain

Williams accepted the wager and with about 100 unofficial witnesses was on hand at the appointed hour. It rained all right-synthetic rain, which fell in a window display.

Williams thought he would get even on the pay-off. He wrote a "check" with charcoal on a strip of carpet 27 inches wide and six feet long and "dared" Johnston to cash it.

A bank told Johnston it would accept the "check."

Still Getting Calls for This

To the Editor:

Would it be possible for us to get a few, are present in autograph. American copy of the article entitled "The Distilling

IN SEATTLE

Scattle's preparations for the American Bankers Association Convention, September 25-28, are in full swing. Below, left, "Miss Banking Progress on Parade" is flanked on the reader's left by Mayor Arthur B. Langlie and Walter Williams, president of the Seattle Chamber of Commerce. Right, she meets W. Erich Lucas, vice-president, National Bank of Commerce, chairman of the Convention entertainment committee





SPECIALISTS IN

UNITED STATES GOVERNMENT **SECURITIES**

GUARANTEED ISSUES FEDERAL LAND BANK TERRITORIAL AND MUNICIPAL BONDS

C. J. DEVINE & CO.

48 WALL STREET, NEW YORK

HAnover 2-2727

CHICAGO . BOSTON . PHILADELPHIA CINCINNATI · ST. LOUIS · SAN FRANCISCO

Direct Wires to all Offices





CURTIS NEW-STYLE

BANK - BY - MAII

envelopes are available in four sizes and fit Standard Window Envelopes

> You may not want increased deposto may not want increased depo-its right at the present time.... but you do want to make more loans, rent more safety deposit boxes and encourage more people to use your trust department services.

Many banks have found that the distribution of Curtis Bankby Mail envelopes to a select list of prospects has opened up scores of profitable new accounts.

We believe your NEW BUSINESS department will be interested in this m....possibly a trial order. MAY WE SEND YOU SAMPLES AND PRICES?

CURTIS 1000 INC.

Bank Enveloper Our Specialty VERSITY AVE 1814 E. 40TH ST. HARTFORD ST. PAUL CLEVELAND

Clip the Coupon and Mail To-day!

CURTIS	(Waste to Hands Plan)
1000	MANTFORD-ST. PAUL-CLEVELAND
INC.	

Gentlemen: Jend us samples of your Bank-by-Mail Envelopes which we understand have standard size deposit slips (also larger or smaller if desired) and a new time-saving receipt form.

JUST A MINUTE—Continued

Industry as a Borrower", written by Oscar F. Meredith, vice-president of the First National Bank of Chicago? The same was published in the October 1936 issue of BANKING.

MERCER D. HELMS. Vice-president The Merchants National Bank and Trust Company Syracuse, New York.

It was possible, and BANKING sent Mr. Helms a clipping.

Octogenarian

THE SIXTH largest mutual savings bank in the United States-the Dime Savings Bank of Brooklyn-celebrated its 80th birthday on June 1. Philip A. Benson, President of the American Bankers Association, is the bank's president.

On its first day of business the Dime welcomed 91 depositors who entrusted to it \$1,892.36. Within a month the number had exceeded 1.000 and within a year the bank had to move to larger quarters. It now has more than 200,000 depositors with total deposits of over \$195,000,000.

The Dime has been a leader in modernizing mortgage loans. One of the first banks to advertise a monthly amortization plan, it has also led in reducing mortgage costs to borrowers.

The anniversary observance included a reception for trustees, officers and their wives at the New York World's Fair.

To Study Abroad

THE JULIAN ROSENWALD FUND of Chicago has announced the award of a traveling fellowship to John N. Lyle, security analyst of the research staff of the Trust Company of Georgia, Atlanta, for the purpose of studying English and Scottish banking methods.

The study is expected to cover a (CONTINUED ON PAGE 13)

John N. Lyle





Through our 565 branches in Canada the New York Agency is in close touch with every phase of commercial and financial activity in the Dominion, and is well equipped to assist and serve corporations, firms and individuals interested in Canada.

Inauiries invited

Canadian Bank of Commerce

New York Agency Exchange Place & Hanover Street New York, N. Y.

Head Office: Toronto

LOS ANGELES SEATTLE

SAN FRANCISCO PORTLAND, ORE.



IN WASHINGTON, D.C.

Consistent with the atmosphere of a distinctive location, the luxurious comfort, dignified service, and superior cuisine of the Hay-Adams House blend into an environment that parallels the tastes of discriminating travellers. Hay-Adams rates make any other choice a poor economy.

Completely Air-Conditioned SIXTEENTH AT H STREET FACING LAFAVETTE FARK

B E H U T V AND THE BANK

"You can tell it's an up-to-date bank.

Look at this passbook!"

MARBLE, bronze and paneled woods for the bank building, but what kind of bank books and check book covers? Are they as attractive as your banking quarters? Do they, too, win friends for your bank?

People regard these tangible evidences of the money they deposit as very personal things. Give your customers Todd Antique Moorish bank books and check book covers, patterned after the tooled leather of ancient Moorish treasure chests. Women admire the beauty...men like the richness...and both are pleased to be seen using them. You'll start people talking about your bank in a way that will bring you more new business and good will.

Mail the coupon below for samples of the Todd Antique Moorish line, and for your free copy of our booklet, "Two Dozen Ways To Make Friends For A Bank."*

*Only two of the suggestions in the booklet refer to Todd products.





-TODD COMPANY, INC.-

1106 University Avenue • Rochester, New York

Please send me:

- Samples of the Todd Antique Moorish line.
- A copy of "Two Dozen Ways To Make Friends For A Bank."

 I am incurring no cost or obligation.

Name

Bank

City :

State

July 1939

NG

THIS BANK ROBBED! IS BEING ROBBED!

No alarm will be sounded...no shots will be fired...no car will speed away from the scene; in fact, the loss may not be discovered for a long time, because the robbery is being committed by one of the bank's own employees, who is skillfully concealing his thefts.

When the shortage catches up with the embezzler—and shortages always do—there will be a lot of excitement for him. The bank itself will transact business as calmly as usual, without the loss of a dollar—thanks to the directors' foresight in having purchased an F&D Bankers Blanket Bond.

The F&D has specialized for 50 years in safeguarding banks against many of the risks peculiar to such institutions. A thorough analysis of your present coverages by one of our experts will cost you nothing—may show you how to cut your insurance costs and at the same time strengthen your protection. Ready to serve you in this respect, and as near you as your phone, is your local F&D representative.





FIDELITY and DEPOSIT

COMPANY OF MARYLAND, BALTIMORE

FIDELITY, SURETY AND BANKERS BLANKET BONDS BURGLARY, ROBBERY, FORGERY AND GLASS INSURANCE



Todd Service comprises the design and manufacture of the correct size and type of combustion equipment for each specific type of commercial, industrial or marine boiler, fired by liquid fuel or gas.

Our engineers are always available without obligation for an impartial survey of combustion phases of furnace operation.

TODD COMBUSTION EQUIPMENT, INC.

(Division of Todd Shippards Corporation)
601 West 26th Street, New York City

New York Mobile New Orleans Galveston Seattle London Buenos Aires



Timeliest Advertising

- The way

BANK ALMANAC

□for 1940:

35th Annual Edition

(Published Longer than Poor Richard's)
Issued by Many Banks 10 to 28 Years)

UNIQUE, inexpensive, educational bank advertising, newly written to anticipate banking needs of next year. Inculcates KNOWLEDGE and appreciation of your bank's principles and practices; treats in particular bank lending, credit relations, and checking services. Instruction augmented with monthly almanac & astronomical data, insuring reference throughout 1940. Handsome, 36-page book.

SEE FOR YOURSELF

Write for Free Sample Copy Financial Advertising Dep't.

LEVEY PRINTING CO. THE SHIELD PRESS Indianapolis, Ind.

IUST A MINUTE—Continued

period of from nine to twelve months, during which time Mr. Lyle will be granted leave of absence from his bank duties. He leaves for England in September.

Mr. Lyle is an honor graduate of Virginia Military Institute, 1932. He attended Harvard Business School, being awarded a master's degree there in 1934. He is author of several articles on banking subjects and in 1936 was retained by the Georgia Bankers Association to make a special investigation of the earnings and expenses of Georgia banks over a period of years. He has been on the Trust Company of Georgia staff since 1937.

A Bank's Bonds

To the Editor:

In the May issue of Banking appeared an article by Edward H. Collins entitled "How to Pick the Right Bonds." This article made reference to 16 lectures on bonds given by the New York State bankers during February, March, April and May of this year. Particular mention was also made of "test sheets" showing pertinent ratios for special groups of bonds now being prepared by statistical experts under the direction of the New York Bankers Association. It was stated that test sheets had been completed on oil bonds, electric utility bonds, railroad bonds, and municipal bonds.

I was particularly impressed by the value of such ratios for bonds and I am writing to find out if the information regarding test sheets now completed can

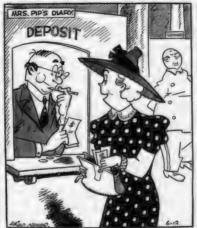
be obtained.

I would also appreciate receiving copies of the 16 lectures referred to above.

BLAINE H. WISEMAN Senior Bank Examiner Indiana Department of Financial Institutions.

CONFIDENTIALLY

"You almost didn't see me today. I had all I could do to pass a dress sale down the block."



THE PUBLIC NATIONAL BANK AND TRUST COMPANY OF NEW YORK

Service — Maintaining an intimate, personalized correspondent bank service.

Experience—Officials with years of service in this field, assuring a knowledge of requirements and valuable assistance.

Policy — To cooperate with out-of-town banks rather than compete for business which is rightfully theirs.



ESTABLISHED 1908

MEMBER

NEW YORK CLEARING HOUSE ASSOCIATION
FEDERAL DEPOSIT INSURANCE CORPORATION

THE TEXAS CORPORATION



147TH Consecutive Dividend paid by The Texas Corporation and its predecessor, The Texas Company

A dividend of 50¢ per share or two per cent (2%) on par value of the shares of The Texas Corporation has been declared this day, payable on July 1, 1939, to stockholders of record as shown by the books of the corporation at the close of business on June 9, 1939. The stock transfer books will remain open.

C. E. WOODBRIDGE

May 26, 1939

Treasurer

Have you heard about BANKING'S new subscription plan for Directors?

S

E

G

A RECENT REFERENCE to our Bank Ledger of 1874 reveals the fact that more than 50% of the correspondents then listed are still "going strong" after sixty-five years of every kind of test to which banking has been subjected.

Here is convincing evidence of the type of sound management enjoyed by these and other thousands of banks for whom and through whom we do business.

... THE ...

PHILADELPHIA NATIONAL BANK

ORGANIZED 1803

PHILADELPHIA, PA.

Capital, Surplus and Undivided Profits \$40,000,000

Member of Federal Deposit Insurance Corporation

It is suggested that persons wishing further information about the New York State Bankers Association program and material communicate with W. Gordon Brown, executive manager of that association, 33 Liberty Street, New York, N. Y.

Two Contests

A LETTER writing contest for bank men and women, conducted by the Virginia Bankers Association on the subject "Why does the bank charge me 6 per cent on loans and pay me little or no interest on my deposits?", brought well written and thoughtful entries. The judges selected Elizabeth Ann Leaf, State-Planters Bank & Trust Company, Richmond, as the winner of the women's contest, while Samuel Wilson Blain, First National Exchange Bank, Roanoke, won the men's.

The Illinois Bankers Association sponsored an essay contest for high school students on the question: "What Is a Safe and Wise Loan for a Bank?" The winner, David L. Drake, a senior in the Lincoln Community High School of Cornland, receives a \$350 scholar-ship at the University of Illinois.

The second prize winner, Roger H. Williams of Morris, receives \$100 to be applied on tuition at any university or college in the State. Miss Norma Jean Oakley of Chicago receives \$50 in cash as the winner of the third prize.

Degree for R. V. Fleming

ROBERT V. FLEMING, president of The Riggs National Bank, Washington, D. C., and former President of the American Bankers Association, received the honorary degree of Doctor of Laws from The George Washington University, where he was once a student, at the 118th commencement on June 14. Mr. Fleming was honored in recognition of his professional attainments and as an expression of appreciation of his assuming the chairmanship of the university's board of trustees.

Economic Adviser

JOHN M. CHAPMAN, assistant professor of banking at Columbia University, New York, since 1924, has been appointed economic adviser to the Bank of America National Trust and Savings Association.

An authority on banking problems with special reference to branch banking, Dr. Chapman has spent the past two decades in practical activity as well as research and writing in the field. In 1929, he was appointed adviser to



A CITY'S FOREIGN TRADE

Items that figure in the foreign trade of Providence and vicinity were shown in a recent lobby display at the Rhode Island Hospital National Bank

the State Banking Department of West Virginia, the State of his birth, and later served as executive secretary and adviser to the Ohio State Banking Board. More recently he was executive vice-president of the Council for Applied Economics, New York.

Dr. Chapman has written and collaborated on several books on banking. Earlier in his career he did research work for the Federal Reserve Board in New York. He is a graduate of the University of Indiana and received his Ph.D. from Columbia in 1923.

John G. Lonsdale Honored

THE DEGREE of Doctor of Laws was conferred upon John G. Lonsdale, President of the American Bankers Association 1929-1930, by the University of Arkansas at the commencement exercises held at the university in Fayetteville, June 5.

Mr. Lonsdale is co-trustee of the St. Louis and San Francisco Railway and a director of the Federal Reserve Bank

of St. Louis.

ng W

0th

er et,

ct er no ht he af.

ly,

a's

in,

a-

on

gh

2"

or

ool

ar-

H.

to

ity

na

in

of

ng-

he

ed

WS

ni-

at

14.

on

as

as-

ni-

nk

igs

ms

ık-

ast

as

ld.

to

NG

The degree was conferred by Governor Bailey of Arkansas on behalf of John C. Futrall, president of the university.

Nebraska Essays

Some 3,000 papers were written in an essay contest sponsored by the Nebraska Bankers Association among high school students of the state. The subject was "The Value of Your Local Banks to Your Community."

First prize of \$50 was awarded to wins a trip to the association's conven-

tion at Omaha in the Fall to present her essay in person. The \$25 second prize was won by Lorraine Brockhaus of Humphrey. Robert S. Veach of Grafton got third prize, \$10. In addition there were 10 awards of \$5 and 16 of \$2.50.

Morsels of Paper

WASHINGTON IRVING calls attention to a monetary event at one point in his famous work, The Conquest of Granada, where he describes the siege of Alhama by the Moors in the late 15th century, the Spaniards in the city being under the command of the Count de Tendilla. Quoting from a contemporary Spanish writer, the American author and one-time ambassador to Spain says:

"There was another expedient of this shrewd veteran, which greatly excites the marvel of Agapida [the Spanish historian]. 'It happened,' he observes, 'that this Catholic cavalier at one time was destitute of gold and silver, wherewith to pay the wages of his troops; and the soldiers murmured greatly, seeing that they had not the means of purchasing necessaries from the people of the town. In this dilemma, what does this most sagacious commander? He takes me a number of little morsels of paper, on the which he inscribes various sums, large and small, according to the nature of the case, and signs me them with his own hand and name. These did he give to the soldiery, in earnest of their pay. "How!" you will say, "are soldiers to be paid with scraps of paper?" Even so, I answer, and well paid too, as Mary Clair Jordan of Winside. She also I will presently make manifest: for the good count issued a proclamation,

COMMERCIAL INVESTMENT TRUST

INCORPORATED



COMMERCIAL INVESTMENT TRUST Incorporated, with capital and surplus in excess of \$57,000,000, provides a nation-wide sales finance service through subsidiary companies with a network of branch offices throughout the United States. This service. which consists of purchasing self-liquidating accounts, extends to automobile dealers, household appliance dealers, and to manufacturers and dealers in many lines of industrial, commercial and professional equipment, including the heavy goods industries.

C. I. T. offers its standard notes for short term accommodation in varying amounts from \$1,000 to \$100,000, in maturities from 60 to 270 days and at current discount rates. These notes are payable at any of our 279 depositary banks located in principal cities throughout the country.

Latest published financial statement and list of depositary banks will be mailed upon request.

ADDRESS

Treasurer. Commercial Investment Trust Incorporated

1 Park Ave., New York, N.Y.

take these morsels of paper for the full amount thereon inscribed, promising to redeem them at a future time with silver and gold, and threatening severe punishment to all who should refuse. The people, . . . trusting that he would be as willing to perform the one promise as he certainly was able to perform the other, took those curious morsels of paper without hesitation or demur. Thus, by a subtle and most miraculous kind bounded opulence."

ordering the inhabitants of Alhama to of alchemy, did this Catholic cavalier Bank Films turn worthless paper into precious gold, and make his late impoverished garrison abound in money!'

> "It is but just to add, that the Count de Tendilla redeemed his promises, like a loyal knight; and this miracle, as it appeared in the eyes of Fray Antonio Agapida, is the first instance on record of paper money, which has since inundated the civilized world with un-

To the Editor:

Have you a 16 mm. film on any phase of banking available for school use?

FRANK J. BASSETT Instructor, Economics Ridgefield High School Ridgefield, Connecticut

There are not many pictures of this kind. BANKING understands that a film produced by the National City Bank of New York, dealing with the institution's activities throughout the world, is available for school use. The Riggs National Bank, Washington, D. C., has a film on the travels of a check through a bank. Information as to this film's availability may be obtained from George O. Vass, vice-president and cashier of the bank. BANKING'S Methods and Ideas reporter, John J. McCann, makes an effort to keep an up-to-date list of banks which have such films, and any questions like that of Mr. Bassett will be referred to him.

Degree for Dr. Stonier

DR. HAROLD STONIER. Executive Manager of the American Bankers Association, received an honorary LL.D. degree from Miami University at Oxford, Ohio, on June 12. President A. H. Upham made the presentation.

Dr. Stonier, in the commencement address, appealed to the 490 graduates for an attitude of mind reflecting the "scientific approach to problems", adding:

"It is so easy to lose the scientific approach and to fall into age-old emotions, into traditional methods of thinking about social problems. To be successful over a period of time, any democracy must have a group willing to search for the facts, to base their conclusions on those facts, and to keep the emotions incidental to the truths revealed through the search for facts."

A.I.B. Day

JUNE 14 WAS American Institute of Banking Day at the New York World's Fair. Delegates came from several cities including Washington, Baltimore, Scranton and Philadelphia, being welcomed by Daniel O'Meara, president of New York Chapter, and assistant vice-president, Public National Bank and Trust Company, New York.

There were talks by Philip A. Benson, President of the American Bankers Association; and George T. Newell, vice-president of the Manufacturers Trust Company and chairman of the Institute's World's Fair committee; and Grover A. Whalen, president of the Fair corporation.

Pennies For Wing

THE voice of a friend. Reassuring words from father, mother, son or daughter. A hurried call for aid in the night. You cannot set a price on such things as these.

Yet this is true - telephone service is cheap in this country. No other people get so much service, and such good and courteous service, at such low cost.



BELL TELEPHONE

The Bell System cordially invites you to visit its exhibits at the New York World's Fair and the Golden Gate International Exposition, San Francisco.



366

ool cut his

nk

tu-

ld.

ggs

108

igh

n's

om

nd

ods

nn,

ate

ind

ett

ive

As-Dx-Dx-H. eent tes the ific no-

be

inv

g to

clu-

the re-

e of ld's

eral

ore, vel-

lent

ant

ank len-

nkvell,

the

tee;

the

NG



TEXAS

Dan E. Lydick, president, Union Bank &
Trust Co., Fort Worth, heads the
Texas Bankers Association



NEW MEXICO
W. J. White, vice-president, First National Bank of Albuquerque, is president of the New Mexico Bankers
Association



OKLAHOMA

The new president of the Oklahoma Bankers Association is R. R. Jackson, president, Anadanko Bank & Trust Co.

GINERAL MOTORS ACCEPTANCE CORPORATION

is engaged primarily in facilitating wholesale distribution and retail sales of the following products of General Motors Corporation and itsworld-wide affiliates: CADILLAC LA SALLE, BUICK, OLDSMOBILE, PONTIAC, CHEVROLET automobiles; PRIGIDAIRE appliances for refrigeration and air conditioning;

DELCO lighting, power and heating equipment; GMC trucks; BEDFORD, VAUX-HALL, OPEL, BLITZ- foreign made automotive vehicles.

The business consists of investments in self-liquidating credits, widely diversified as to region and enterprise, capital employed being in excess of \$80,000,000.

In obtaining short term accommodation, GMAC issues one standard form of note. This obliga-

tion it offers to banks and institutions, in convenient maturities and denominations at current discount rates.



These NOTES are available, in limited amounts, upon request.

EXECUTIVE OFFICE NEW YORK . BRANCHES IN PRINCIPAL CITIES



SERVING AMERICAN BANKS IN 29 COUNTRIES

Complete correspondent services available to American banks through an extensive branch system in Canada, Latin America and Overseas.

Over 600 branches in Canada and Newfoundland; 45 branches in Cuba, Puerto Rico, Dominican Republic, Haiti, British and French West Indies and 21 branches in Central and South America. Also in London and Paris. Enquiries invited.

THE ROYAL BANK OF CANADA

HEAD OFFICE, MONTREAL

ASSETS OVER \$900,000,000

New York Agency, 68 William Street

"Lack of recent information

"Lack of recent information

is responsible for more

mistakes of judgment

mistakes of judgment

than erroneous reasoning"

MATTHEW ARNOLD

If you are playing a lone hand at the complex business of investing, you realize how utterly impossible it is to keep abreast of all the news today. So far this year one "financial newspaper" alone has printed 15 million words! And from the presses of just one metropolitan newspaper have poured forth 60 million words of foreign, Washington, business and financial news!

Merely to be informed on all the facts surrounding all the securities in your portfolio is beyond the physical capacity of any one man . . . as a part-time job. Additionally, to interpret the facts without the bias of wishful thinking, to arrive at a realistic appraisal of bond values, to formulate continuously sound investment policy is a burden that no one bank officer should be expected to shoulder alone.

Successful management of your bank's bond account demands the facilities, man-power and organized knowledge of a large group of investment specialists to scrutinize each new situation and judge dispassionately how it will affect the value of the bonds you hold.

That is why, when your bank subscribes to Moody's Bank Supervisory Service, a group of mature investment specialists will be watching every factor affecting your portfolio. Literally keeping their eyes on the economic world, these men will be alert for weaknesses in old investments, constantly searching for attractive new investments. And to make this service practical, a Personal Counsellor will apply the findings of Moody's Staff to your specific requirements, helping you to achieve the most in income and safety.

Your inquiry for complete information involves no obligation.

MOODY'S INVESTORS SERVICE

IOHN MOODY, President

65 BROADWAY, NEW YORK CITY . 105 WEST ADAMS STREET, CHICAGO



Why Small Capital Comes High

By RILEY ELGEN

Formerly a builder and operator of railroads in the South, MR. ELGEN for some time has been Chairman of the Public Utilities Commission of the District of Columbia.

N this period of time when, perhaps, money for hire was never so cheap to big business, little business pays through the nose for obtaining the capital essential to its need. From the Securities and Exchange Commission we learn that during 1936 and 1937 little business had to pay \$8.67 for each \$100 of bonds sold; \$16.53 for each \$100 of preferred stock; and \$22.21 for each \$100 of common stock issued in amounts of \$250,000 or less; while big business, in sharp contrast, paid only \$2.58 per \$100 for \$25,000,000 of bonds and \$3.01 for preferred stock money in comparable quantities.

For capital purposes requiring a million or less, business in 43 instances paid \$7.78 to obtain bond or mortgage money; in 62 instances it had to pay \$16.40 for preferred stock money and in 183 instances where capital was raised through the sale of common stock little business had to pay \$20.92 for each \$100 raised.

In other words, if a concern wanted to raise, say, \$800,000 it would have to obligate itself to pay back \$870,000 plus interest; if \$800,000 had to be raised by issue of preferred stock it would be obliged to sell nearly \$950,000 worth; but if it wanted to raise \$800,000 by the issuance of common stock, it would be necessary actually to sell more than a million dollars' worth, market value. That is to say, it was necessary to sacrifice \$70,000, or to pay for financing an amount of about \$70,000 for bonds, \$150,000 for preferred stock money and \$213,000 for common stock money. A pretty heavy penalty!

In contrast, it cost \$3.64 per \$100 to obtain money of over \$1,000,000 per bond issue, and in the case of 44 issues of preferred stock it cost \$7.50 per hundred. There were no large issues of common stock floated; however, for the 42 issues between \$1,000,000 and \$5,000,000 it cost \$15.30 per

Had it been possible to raise capital for those latter figures, \$40,000 would have been saved on the \$800,000 issue cited and about \$85,000 on the preferred issue and approximately \$50,000 on common stock issues. These instances are all cases where compliance with Securities and Exchange rules and regulations were met.

Five hundred thirteen issues of securities of various sizes and of different corporations were registered with the Securities and Exchange Commission during the years 1936 and 1937. Table I below shows the cost of marketing those issues:

TABLE I

		Paid in Commis-		
•		sions	Paid for	Total
	Number	and Dis-	other Expenses	Paid ber
	of	per \$100	per \$100	\$100
Size of Issue	Issues	Raised	Raised	Raised
Less than \$250,000	93	\$17.21	\$2.29	\$19.50
\$250,000 to \$500,000	89	16.38	2.22	18.60
\$500,000 to \$750,000	59	14.60	2.10	16.70
\$750,000 to \$1,000,000	47	13.40	1.70	15.10
\$1,000,000 to \$5,000,000	125	8.00	1.25	9.25
\$5,000,000 to \$10,000,000	18	3.08	1.02	4.10
\$10,000,000 to \$25,000,000	43	2.22	.87	3.09
Over \$25,000,000	39	2.06	.54	2.60
All	513	\$ 9.09	\$0.81	\$ 9.90

Of the 513 issues, 182 were bond notes or debentures, 106 preferred stock and 225 common stock. Of the latter, no issues exceeded \$5,000,000. There were 100 other issues, each for a greater amount. Of these, 87 were for bonds, notes, or debentures, and the other 13 were preference stock. This perhaps accounts for the lower costs observed in the last three groupings in Table I.

Table II shows the total cost of obtaining each \$100 of capital requirements by sale of different kinds of securities:

TABLE II

	BONDS		PREFE	CKS	COMMON STOCKS	
					_	~
	Num-		Num-		Num-	
	ber	Cost	ber	Cost	ber	Cost
	of	per	of	per	of	per
	Is-	\$100	Is-	\$100	Is-	\$100
Size of Issue	sues	Raised	sues	Raised	sues	Raised
Less than \$250,000	13	\$8.67	15	\$16.53	65	\$22.21
\$250,000 to \$500,000	10	9.06	27	17.03	52	21.27
\$500,000 to \$750,000	8	8.56	12	14.11	39	19.19
\$750,000 to \$1,000,000	12	5.23	8	16.16	27	19.17
\$1,000,000 to \$5,000,000	52	4.80	31	8.67	42	15.29
\$5,000,000 to \$10,000,000.	11	3.59	7	4.86	_	-
\$10,000,000 to \$25,000,000.	39	3.06	4	3.39	-	
Over \$25,000,000	37	2.58	2	3.01		
All and average	182	\$2.85	106	\$6.30	225	\$17.30

NG

From this table it is seen that mortgage money—debt—costs less, but of course it is the more dangerous to business. In other words, the risk lies on the back of the borrower. In the cost of the sale of preferred shares in quantities of less than \$5,000,000, a decidedly stiff price has to be paid for that kind of money, nearly double the cost of bond money, and the range of the cost of common stock money is from nearly four times to a little more than twice that of bond money.

A study of these two tables clearly indicates that the smaller the business requirement the larger the sacrifice made to obtain capital. Nearly one-half of the bond issues were for more than \$5,000,000 and only 25 per cent were for less than \$1,000,000. The average sacrifice paid for \$100 of bond money was \$2.85. On the other hand, of the preferred issues only about 12 per cent were for sums of more than \$5,000,000 and 56 per cent were issues of less than a million. The average sacrifice per \$100 of preferred stock money raised was \$6.30. However, in the case of common stocks, all were for less than \$5,000,000 and nearly 91 per cent of the issues were for amounts less than \$1,000,000. The cost of common stock money was \$17.30 per \$100. Regular loan shark rates!

The expenses other than commissions and discounts constitute 24 per cent of the cost of bond money; 13.4 per cent of the cost of preferred stock money and 8.6 per cent of the cost of common stock money. The principle items of cost in this category are legal expenses, accountants' and engineers' charges and miscellaneous expenses. The S.E.C. rules and regulations make the lawyers, accountants, engineers and in fact all who are interested or involved in the marketing of securities, responsible. Naturally, such a requirement makes for higher cost of capital.

SOME DATA ANALYZED

ANALYSIS of the Securities and Exchange Commission data on expense of registration and flotation (other than underwriting commissions and discounts) for selected issues registered under the Securities Act of 1933 and publicly offered through underwriters shows that the grand total cost per \$100 was 62 cents for 127 bond issues, 68 cents for 71 preferred stock issues and \$1.35 for 103 common stock issues. These costs for the mechanical efforts, which include registration fee, revenue stamp, state qualifying fees, transfer agent and printing and engraving, amount to 34 of the 62 cents for bonds, 30 of the 68 cents for preferred stocks and 50 of the \$1.35 cents for common stocks. Most of these mechanical costs are for the expenses of a transfer agent and the printing and engraving of certificates. These items are naturally highest in a common stock issue.

On the other hand the predominant expense of registration and flotation of securities of issues under the Securities and Exchange Act of 1933 is the cost of legal services. That item costs 12 cents per \$100 for bonds, 20 cents for preferred stocks and 37 cents for common stock issues.

Of course a considerable amount of legal expenses and other expert services naturally would be required regardless of the size of the issue. Largely because of this fact, it quite properly happens that the expenses of registration and flotation of issues registered under the Securities and Exchange Act would be higher for the smaller issues and lower for the higher issues. To some extent this explains the reason for the larger expenses of this character for issues of common and preferred stocks as contrasted with bond issues.

The high aims and beneficial effect of the Securities and

Exchange Act of 1933 have received the favorable comment of competent authorities. The control of trading in securities, the fundamental purpose of the original act, and others conferring upon the S.E.C. control over corporate matters of various sorts, need not be administered in a manner tending to deter business from going into the open money markets to get capital for corporate purposes. Largely, the original act was intended publicly to proclaim the truth about security issues. High pressure selling of worthless securities was to be discouraged. "Wild cat" shares were to be labelled.

All parties to an issue—lawyers, accountants, engineers, brokers, salesmen—had to be responsible for their acts. That, too, at the time and under the circumstances, was a necessary precaution, although it has been tremendously disadvantageous to the issuing companies and has tended to make the cost of private capital exceptionally high in an otherwise easy money market. Low rates for bond interest and preferred share dividends have prevailed for a long period, but a terrible licking is upon the issuing company on account of the sacrifices required to get into this easy money market.

TOWARD CHEAPER FINANCING

NOW since there is so much more information available concerning the condition of corporations seeking such issues, due to accounting requirements of S.E.C., and since it has now won its spurs as a regulatory institution, studies ought to be made, and I am advised are being made, of ways and means to achieve the same measure of truth in securities, the same protection of this public interest, without having its rules and regulations reflected in excessive costs for the registration and flotation of security issues. Too many of the most desirable securities are being forced into the vaults of insurance companies.

In conclusion, it would appear from the facts studied that the high cost of raising capital is due to several causes. Most important, insofar as equity money is concerned, seems to be a lack of incentive to venture a bet upon the future of business; and there are too rigid laws, rules and regulations governing the sale of securities.

So, first, confidence must be restored in the minds of men with money. Those with small savings represent a multitude of prospective investors. They need confidence that they will get more than mere bond interest rates to repay them for their venture. In other words, there seems a need of something to bolster faith in the future of America and the tenets of the profit system—democracy's keystone.

Secondly, now that reliable and dependable guides to the validity of security issues have been collected through the S.E.C., it would seem that the protection of the interests and rights of investors could be adequately provided for without entailing the assembling of such voluminous and expensively collected facts on new issues. A multitude of Government agencies collect all manner of financial data from corporations. Private agencies do likewise. Banks require such things for negotiating purposes. It would seem that out of these could be worked one statement of facts or annual report upon the corporate affairs which would serve all purposes. About all the prospective investor has to guide him in the selection of a security now are these voluminous questions and answers in the registration statement.

To reduce the cost of marketing securities, my formula would be: eliminate all unessential and unnecessary requirements of their registration and sale. Let the truth about securities be told in simple words, the meaning of which all may know and understand.

Home Town Builders

By W. M. SHERRILL

Mr. SHERRILL is Advertising and Publicity Manager of the First National Bank in St. Louis.

nt

of ng to

ty be

rs.

at,

ry

nhe

se

e-

ut

of

ole

es,

as

ht

nd

es,

he

he

of

at

st

si-

V-

en

de

ill

or

ets

ne

)E

 $^{\rm 1d}$

ut

ly

nt

a-

ch

of

al

r-

in

S-

la

e-

ut

all

G

ARE banks taking advantage of opportunities to cooperate with their local chambers of commerce for public educational purposes? The only way I knew to find an answer was to ask various bank or chamber of commerce officials what was being done along that line in their own communities.

No attempt was made to conduct a "survey", as the term is generally used, and cities were chosen more from the standpoint of location than any other. Answers were received to all but a few inquiries, and indicated a sincere desire to be of helpful service. In brief form, here is what some banks are doing in their communities, as reported by their chambers of commerce.

The banks in an Oklahoma city use the research facilities of their chamber in connection with newspaper, magazine and radio advertising. One bank uses a bulletin board in its lobby to feature the products of local industries. The banks also have been especially busy in trade development activities. Representatives of the banks attend various types of meetings throughout the market area, and are available as speakers for meetings in neighboring communities.

In a Georgia city, one bank prepared special newspaper advertisements featuring the efforts of the local chamber of commerce to stimulate live-stock farming in that region. This activity in 26 counties heads up in that particular chamber, and it is reported that virtually all Georgia banks are now making livestock loans to farmers.

The banks in a Virginia city featured the economic stability of their section in an advertising campaign. In many cases the material used was compiled by the research department of their chamber of commerce. They also cooperate along educational lines by making available trained speakers for various appearances in the community and trade area.

Banks in an Indiana city direct attention in their advertising to the importance of local business activities.

In a Florida city, the banks cooperated with their chamber of commerce in connection with the promotion of the cattle industry of the State through a fat stock show and sale sponsored by the chamber.

In a Nebraska city, the banks are well represented by responsible officers on good will tours conducted by the chamber of commerce. They also serve on committees, and cooperate in activities to build a better and more thriving community.

The banks in an Arkansas town bring to the attention of their community statistical information prepared by the chamber of commerce relative to the business and industries of the city.

In a Tennessee city, the banks have been interested in young people on the farms, in their endeavor to produce better cattle and livestock, and in their efforts to manage the farms more efficiently.

The banks in a North Carolina city sponsor programs tending to increase local trade and conventions, with their power to increase local business income. The city is building a new auditorium that will add much to the educational and cultural life of the community. The banks are cooperating with the chamber of commerce and the city in man power and money, in making the auditorium possible.

In a Connecticut city the banks use the medium of their chamber of commerce for institutional selling—the place of the bank in the upbuilding of the community; reasons why banks cannot undertake things which the untutored expect of them. The banks also cooperated in connection with a lecture on ways of detecting spurious currency.

In a city in New York, the banks acquaint customers with the fact that their local chamber is a clearinghouse for their business needs, giving bank executives an opportunity to indicate that as bankers their interest in the community goes beyond the ordinary banking functions.

The banks in an Illinois city, in cooperation with their chamber of commerce, made loans against taxes receivable in order that the city's affairs might be carried on.

In a Texas city, the banks have used the medium of their chamber of commerce to indicate not only a willingness but a desire to make loans to small industries, and also for residential and industrial construction.

In a Missouri city, the banks are well represented in the official family of the chamber of commerce by senior officers, and also on various committees. The banks take an active interest in good will tours, help in obtaining new industries, and in various forms of community development.

One bank in an Alabama city used newspaper advertisements based on data supplied by the chamber. Another institution provides window space for various exhibits relating to local industries.

A FEW COMMENTS

A LARGE majority of the answers indicated a favorable attitude toward the cooperation of banks in chamber of commerce activities for public educational purposes. However, the following incidental comments by correspondents might serve a constructive purpose:

"The chamber of commerce provides an opportunity for bank executives to contribute of their knowledge and energy with other business men for community advancement. Such participation will do much to establish them not as 'hard hearted bankers,' but as human, friendly individuals."

"I feel that our bankers have been too quiescent and as a class have lost touch with the voting and thinking public."

"I believe that the banking group would do well to mix a bit with the presidents of department stores, utilities, manufacturing concerns and the like and make a few warm friends on Main Street."

"Banks are recognized as the leading institutions in every community and the bankers should assume their responsibility and do their part."

Automobile Financing

In the May issue of Banking there was published part of a letter from Lehman Plummer, vice-president, Central National Bank and Trust Company, Des Moines, Iowa, to Milan V. Ayres, secretary, National Association of Sales Finance Companies, on automobile financing by banks.

Subsequently there was an exchange of correspondence between Walter Meiss, executive general agent, The London Assurance, and Mt. Plummer.

In the belief that these letters are of special timely interest to readers of Banking, they are being published herewith.

Mr. Meiss to Mr. Plummer

Mr. LEHMAN PLUMMER, Vice-president, Central National Bank & Trust Co., Des Moines, Iowa.

My dear Mr. Plummer:-

As one who has taken a very active part in endeavoring to interest banks to enter the profitable field of consumer financing, I feel in a measure at liberty to take issue with certain statements in your letter to the secretary of the National Association of Sales Finance Companies quoted in the May 1939 issue of BANKING.

You state that you hold no brief for any bank that will "cut" rates below those offered by the large national finance companies and that if the bank does not charge the same rates as those finance companies certainly it should not continue its financing activities.

If operating costs and all other factors were equal, I could agree with you. However, even to the layman it is apparent that there is no such equality.

You admit in your letter that the finance companies operate on borrowed funds, and I agree with you that certainly neither the finance companies nor the banks can be any too proud of the rate which prevails on those borrowings, whether on straight notes or on collateral trust notes.

On this item alone, even admitting that the interest rate paid by the finance company is inadequate, there is no such expense factor with the bank because it has free funds.

Assuming that the bank makes direct consumer loans, as our study of and experience with the finance business clearly indicates that they should, there can be no justification for the bank charging the public the same rate as the finance companies, other than that the public has been educated to a 6 per cent factor and it is perhaps an easy matter to assess that rate.

The finance companies' acceptances are dictated materially by competition. Ask any finance company credit manager and he will admit that he has plenty of questionable acceptances, which he has been forced to approve in order to hold the dealer's account. The dealer is primarily interested in selling automobiles and if Finance Company "A" doesn't take the risk Company "B" will and the rest of the dealer's business with it. By contrast, the bank is dealing entirely with local people, many depositors of the bank; there is no competitive pressure and selections are based entirely on the merits of the risk. Repossessions and

losses are practically nil, with the bank which handles this business on the proper basis, whereas they are a very important factor in the finance company operating costs.

Out of its 6 per cent factor the finance company still seems to have a considerable margin out of which to pay a dealer "kick-back", or so-called "reserve". This item is totally foreign to a bank making direct consumer loans.

Additionally, the entire overhead of a finance company, such as rent, salaries, traveling expenses, advertising, selling, inspection and other field costs, must be covered by the 6 per cent factor and still leave a margin of profit. The bank has to do relatively little advertising. It is in constant touch with its depositors and the mailing of monthly statements gives a postage free medium for its direct mail solicitation. Dealing locally, traveling expenses, entertainment, field supervising costs, salaried solicitors, are all eliminated from the bank picture. Many of the operations can be merged into the bank's regular routine with, of course, an allocation of costs, but there is a great variance in the operating costs and overhead of a finance company doing either a local or a national business and the bank making direct consumer loans in its own community.

"WHY 6 PER CENT?"

I HAVE asked many a banker: Why 6 per cent? Maybe you can give me the answer, but the only one I have been able to get heretofore has been "Well, that has always been the customary rate."

The 6 per cent factor, I believe, on a 12 months' deal is a net of approximately 11.8 per cent, whereas a 5 per cent factor, I believe, works out to approximately 9.8 per cent net. What other loan is available to a bank that nets any such return and that carries the same amortization feature? I am leaving out of this discussion entirely the additional convenience to the bank, by making all its small notes—say less than \$500—self-liquidating by transferring them to the installment loan department.

Just as I say that it is not logical for a bank to purchase commercial paper from the finance companies at an interest rate of three-fourths of 1 per cent and then have the finance companies retail that money in the bank's own community and to many of the bank's own depositors, I also say that when a bank charges 5 per cent on a direct consumer loan, particularly an automobile, it is most certainly not "cutting" rates but is charging all that it is ethically entitled to and is giving the public the break to which it is entitled.

I notice in all this controversy as to whether banks or finance companies are the proper medium, the public seems to be the forgotten man.

I trust that you will take no offense by my frank expression of the views herein, or the liberties that I have taken in writing you.

Yours very truly,

WALTER MEISS, Executive General Agent, The London Assurance, New York.

Mr. Plummer to Mr. Meiss

Mr. WALTER MEISS, Executive General Agent, The London Assurance, 99 John Street, New York, N. Y.

Dear Mr. MEISS:-

n-

ill

13

is

y,

ıg,

ed

it.

in

ly

ail

n-

all

ns

of

ce

ny

nk

be

en

en

is

nt

nt

ny

e?

nal

em

tse

est

ce

ty

at

ın,

is

or lic

ex-

en

nt,

NG

I appreciate your letter of May 19 as I know that your criticisms are all for the interests of banks in helping them to greater earnings through diversification of loan outlets. Also, in a measure, I can agree with your theories advanced. However, my comments to which you referred were aimed at banks of our size and larger operating "personal loan" departments which include character loans, co-signer loans, etc., as well as automobile loans. In other words, I can agree with you if the loan facilities are confined only to automobile loans and financing; but I cannot agree with you if the loans involved include all of the classifications normally handled in personal loan departments, as the automobile loans have to help carry the smaller loans as I will attempt to point out.

NOT "FREE MONEY"

YOUR paragraphs three, four, five and six carry the assumption that banks get the use of their money free, and that their overhead is not increased because they have the building and facilities anyway—whereas finance companies have the overhead of branch offices, personnel, and interest on money which they borrow to re-loan. I cannot agree on this point.

In the first place, any bank should require every department to bear its share of overhead the same as paying rent for space used, light, heat, phone, supplies, etc., as well as all salaries of the personnel involved and a fair portion of the executive expense of the bank's officers and directors who shape its policies and lend it guidance. The department should also pay the bank interest on the money used based on the average daily outstandings at a rate comparable to what the bank could get for that same money by investing it in prime commercial paper or finance companies notes.

In other words, it is not "free" money, as the money used in this department is not created by the department in the form of deposits, but is borrowed from the savings and commercial departments where it originates. Finance companies operate branch offices at a very nominal overhead for rent, personnel, etc., and their cost of money is about the same as it should be for a comparable department in a bank. Therefore, it is my contention that the cost of operating such a department in a bank is approximately the same as the cost of a national finance company operating a branch office—unless the bank foolishly assumes that the department costs them nothing because they have the space and money anyway.

ANOTHER FACTOR

ANOTHER factor to bear out my contention that banks should not cut rates is this: Finance companies handle only automobile and commodity loans, and consequently their average unpaid balance per transaction is much higher than the average balance of loans in "personal loan" departments of banks. The reason this is true is because a bank cannot confine itself to only the larger automobile and commodity loans, but must also make a certain number of small direct character and co-signer loans. This is necessary to maintain good will where the loan is justified, and such loans would

normally carry a rate of $2\frac{1}{2}$ per cent to 3 per cent per month through a small loan company, but the bank must make them at the regular rate of the department, say $\frac{1}{2}$ per cent per month. However, this type of loan costs just as much to handle as the larger loans, and runs up the handling cost per transaction, which is not true in the case of finance companies.

Another reason that I do not feel that banks could cut rates under that offered by the larger national finance companies, is because I do not think it is necessary to get the business. On an equal rate banks should certainly be able to compete with finance companies, or they (the banks) have certainly reached a new low in the public's estimation. Banks can give better and more personal service, are more centrally located, carry more prestige for establishing "bank credit", and many other very obvious reasons.

RESERVES

BESIDES the item of comparable costs of bank vs. finance company operations, banks must maintain rates because they must set up larger reserves. Banks are loaning depositors' money whereas finance companies are loaning their own funds, at least to a safe margin. The reserves which you mention as going to dealers from finance companies should be equally set aside by banks for their own liquidation losses.

This is obvious, because the finance companies have the dealers' endorsement for the liquidation of repossessions, etc., for the reserves they are given; whereas the bank has to do its own liquidating and needs this comparable reserve for

this purpose.

ADVERTISING COSTS

YOU mention advertising costs. Finance companies advertise in ways which give them national coverage so that their allocated cost per branch office is very small. Banks must also advertise in order to get sufficient volume to maintain a department, and their cost is more than comparable as it only covers a small local field. This same cost ratio is true of executive expense and supplies, as finance companies' executives direct many offices, which makes the cost per branch office very nominal.

I could go on at length with arguments against rate cutting, but will only mention one more. I think that it is

wrong in principle.

Rates of the national finance companies are as low as can be given and still maintain proper comprehensive service and reserves, and are also fair to the public in every way. If the public was being "gouged" as was true several years ago, then I would not hold any brief for maintaining rates.

However, rate cutting leads to competitive abuses which profits no one and only tends to demoralize the practice and usually leads to drastic reactions in the other direction, with the consequent penalty to the public. I could cite to you several cities where this has happened already, but you may be familiar with them now.

I assure you that I very much respect your opinions as, after all, we are working toward a common cause and merely disagree on a few of the details.

Very sincerely yours,

LEHMAN PLUMMER, Vice-president, Central National Bank & Trust Co., Des Moines, Iowa.

100 Bank Slogans

The author, a New York advertising man, created the slogan "A Tower of Strength" for the Bankers Trust Company of New York in 1919.

A GOOD bank slogan used continuously in advertising gives the public something concrete around which to build its conception of the institution and helps to create good will and prestige.

Lately I have been making a study of bank slogans and have selected about 100 which I consider among the most apt and interesting now or recently in use by American banking institutions in all parts of the country. Here is the list:

"The First Bank Chartered Under the National Bank Act"—First National Bank, Philadelphia.

"A Bank of Character, Strength and Service"—The Philadelphia National Bank, Philadelphia.

"Oldest Title Insurance Company in the World"—Land Title Bank & Trust Company, Philadelphia.

"The Oldest Saving Fund Society in America"—The Philadelphia Saving Fund Society, Philadelphia.

"America's Pioneer Life Insurance Trustee"—Provident Trust Company, Philadelphia.

"Everywhere in California"—Bank of America National Trust & Savings Association, San Francisco and Los Angeles. "Since 1873, the Bank for Bankers"—The Anglo-California National Bank, San Francisco.

"The Oldest National Bank in California"—Crocker First National Bank, San Francisco.

"An Independent Bank, Giving Real Personal Service"— Pacific National Bank, San Francisco.

"A Home-like Community Bank"—County National Bank & Trust Company, Santa Barbara.

"The Pioneer Group of Beverly Hills"—Beverly Hills National Bank & Trust Company, Beverly Hills, California. "Finest Institutional Banking Home in America"—

Winona National & Savings Bank, Winona, Minnesota.
"The Leading Bank in Washington"—Riggs National

Bank, Washington, D. C.
"The Bank That Makes Friends and Keeps Them"—
The Central National Bank, Richmond, Virginia.

"The Bank for the Individual"—The Morris Plan Bank of Virginia, Newport News.

"A Bank That Renders More Than a Routine Banking Service"—State-Planters Bank & Trust Company, Richmond. Virginia.

"This Is the Bank That Apples Built"—Farmers & Merchants National Bank & Trust Company, Winchester, Virginia.

"Greenwich Business Prospers by Your Patronage"— The Putnam Trust Company, Greenwich, Connecticut. "Oldest Trust Company in Connecticut"—Hartford-Connecticut Trust Company, Hartford, Connecticut.

"The Bank of Hospitality"—The First National Bank, Port Arthur, Texas.

"Young, Progressive Bankers"—City National Bank,

Houston.
"The Bank of Courtesy"—The National Bank of Com-

merce, Houston.
"Better Banking"—The Fort Worth National Bank,

"For Alabama, Its Port—and Progress"—Merchants National Bank, Mobile.

"Where Most Mobile Savers Bank"—First National Bank, Mobile.

"Foremost in Financing Southern Business"—The First National Bank, Atlanta.

"The Friendly Bank"—Fulton National Bank, Atlanta. "No Account Too Large, None Too Small"—Citizens & Southern National Bank, Savannah.

"For Every Financial Need"—Wachovia Bank & Trust Company, Winston-Salem, North Carolina.

"Largest Unit Bank in the Carolinas"—American Trust Company, Charlotte, North Carolina.

"In the Heart of Produce Row"—Westside National Bank, Yakima, Washington.

"Largest Intermountain Bank"—First Security Bank of Idaho, Boise.

"New England's Oldest and Largest Banking Institution"—The First National Bank, Boston.

"The Oldest Trust Company in New England"—Rhode Island Hospital Trust Company, Providence.

"The Home Bank"—Security National Bank, Enid, Oklahoma.

"Oil Bank of America"—The National Bank of Tulsa.
"First for Three Generations"—First National Bank,
Portland, Oregon.

"A Bank Where Small Accounts Are Welcome"—The Bank of Montreal, Montreal.

"Maximum Safety—Efficient Service"—Merchants National Bank, Muncie, Indiana.

"An Extra Measure of Service"—The American National Bank, Kalamazoo, Michigan.

"The First Trust Company in Michigan"—The Michigan Trust Company, Grand Rapids.

"Over Half a Century of Service to the West"—The Denver National Bank, Denver.

"The Oldest and Largest National Bank in the Rocky Mountain Region"—The First National Bank, Denver.

"Older Than the State of Kansas"—Exchange National Bank, Atchison.

"Charter Member Federal Reserve System"—The American National Bank, Nashville.

By T. D. MACGREGOR

"One of the Great Banks of the South"—Union Planters National Bank & Trust Company, Memphis.

ord-

ink,

nk,

om-

ink,

ints

nal

irst

nta.

s &

rust

rust

onal

k of

itu-

ode

nid,

ank,

The

Na-

onal

igan

Den-

ocky

onal

mer-

ING

"Foremost in Florida"—The Atlantic National Bank, Jacksonville.

"A Financial Stronghold" - Florida National Bank, Jacksonville.

"South Florida's First Bank"—First National Bank, Tampa.

"Florida's Oldest Bank"—Lewis State Bank, Tallahassee.

"Modern-Progressive"—American Bank & Trust Company, Miami.

"Our Strength, Your Protection"—The Ohio National Bank, Columbus.

"Deeply Rooted in America's Industrial Community" and "Convenient Branch Banks Throughout Greater Cleveland"—Cleveland Trust Company.

"Serving Toledo With Every Bank Facility"—The Commerce Guardian Bank, Toledo.

"Bank Centrally in Cleveland"—Central National Bank, Cleveland.

"Golden Rule Banking Service"—First National Bank & Trust Company, Springfield, Ohio.

"Constantly Building for Community Usefulness"—The New First National Bank, Marietta, Ohio.

"A Bank of Unselfish Usefulness"—The First Trust & Savings Bank, Canton, Ohio.

"City-wide Banking Service"—First Wisconsin National Bank, Milwaukee.

"The Oldest Bank in the Northwest"—Marshall & Ilsley Bank, Milwaukee.

"A Representative New England Institution"—National Shawmut Bank, Boston.

"The Home Is a Friendly Bank"—Home National Bank, Brockton, Massachusetts.

"Ready to Serve You Efficiently"—Mercantile-Commerce Bank & Trust Company, St. Louis.

"No Securities for Sale"—St. Louis Union Trust Company, St. Louis.

"In the Heart of the Heart of Maryland"—Union Trust Company, Baltimore.

"A Mutual Savings Bank—Owned by Its Depositors"— Hopkins Place Savings Bank, Baltimore.

"A Live Commercial Institution"—Merchants National Bank, Cedar Rapids, Iowa.

"Built by the Service Rendered"—City National Bank, Clinton, Iowa.

"Make Our Bank Your Bank"—Fremont County Savings Bank, Sidney, Iowa.

"Building With Chicago Business Since 1863"—The First National Bank, Chicago.

"The Bank at the Yards"—Live Stock National Bank, Chicago.

"Oldest Bank West of the Loop"—Austin State Bank, Chicago.

"In the Service of Chicago Since 1889"—The Northern Trust Company, Chicago.

"A Million Dollar Bank Doing Small Things Big"—Personal Loan & Savings Bank, Chicago.

"The Bank That Service Built"—First National Bank, Ioliet, Illinois.

"Progress Through Better Service"—Herget National Bank, Pekin, Illinois.

"Peoria's Foremost Financial Institution"—Commercial Merchants National Bank & Trust Company, Peoria, Illinois.

"Over 100 Years of Continuous Commercial Banking"— First National Bank & Trust Company, Alton, Illinois.

"A Roll of Honor Bank"—Champaign National Bank, Champaign, Illinois.

"Service That Pleases"—City National Bank, Harrisourg, Illinois.

"A Tower of Strength"—Bankers Trust Company, New York.

"A Mutual Institution Founded in 1834 to Serve Those Who Save"—Bowery Savings Bank, New York.

"A Dependable Executor"—Bank of the Manhattan Company, New York.

"Courtesy, Efficiency, Service"—Manufacturers Trust Company, New York.

"The First Bank for Savings in New York"—The Bank for Savings, New York.

"That's My Bank"—Dry Dock Savings Institution, New York.

"Largest Industrial Bank"—The Morris Plan Industrial Bank of New York.

"More Than 100 Years of Service"—Rochester Savings Bank, Rochester, New York.

"It's Always Time to Save"—Monroe County Savings Bank, Rochester, New York.

"Safety the First Consideration"—Eric County Savings Bank, Buffalo.

"The Red Bank on the Corner"—Jefferson County National Bank, Watertown, New York.

"The Bank of Personal Service"—First Trust & Deposit Company, Syracuse, New York.

"The Bank With the Gold Dome"—Savings Bank of Utica, Utica, New York.

"The Home of Security"—Delaware National Bank, Delhi, New York.

"Distance Is No Barrier to Our Service"—Citizens Farmers Trust Company, Adams, New York.

"Located in the Heart of the Business District"—Empire National Bank & Trust Company, St. Paul.

"All Your Banking Under One Roof"—Mellon National Bank, Pittsburgh.

The Biggest Payroll Check Job

MR. MacDonald, the author, is in the United States Treasury Department.

PAYING John Doakes and his 3,500,000 fellow relief workers a Government check every two weeks, in addition to issuing hundreds of thousands more for materials and supplies, provides the United States Treasury Department with the biggest accounting and disbursing job in the world

Ordinarily, the normal functions of operating the country's finance, customs, internal revenue, income tax, Coast Guard and public health services, are sufficient to keep the Department busy. But without apparent change in stride the Treasury assumed, in July 1935, the added responsibility of paying relief workers and vendors to the Government. In the past four years more than \$11,000,000,000 has been accounted for and disbursed, and 270,000,000 checks issued for the relief program alone.

Bankers throughout the United States and territorial possessions have been aware of the constant flow of Government checks through the depositories, but possibly few realize the magnitude of the operation involved to accomplish the prompt payment of Uncle Sam's obligations.

AN ACCOUNTING JOB

THE creation in the Treasury of an emergency accounting organization to perform this task represents an interesting advance in the development of the Federal Government's accounting system. When the President directed the Department to assume the accounting and disbursing functions for the relief program in 1935, Secretary Morgenthau turned the problem over to his accounting specialist, Edward F. Bartelt, Commissioner of Accounts and Deposits, who is a career man, with 20 of his 40 years devoted to service in the Treasury.

There is no such thing in the Federal Government as a complete system of accounts in the sense that a single set of books reflects all the financial transactions of the Government. The accounts kept in the 175 different agencies are generally on entirely different bases. The Division of Bookkeeping and Warrants in the Office of the Commissioner of Accounts and Deposits is the keystone of Federal financial activities. It produces financial reports for the President and Congress and the Daily Statement of Treasury balances with which every newspaper reader is familiar. But as the accounts are kept only on an appropriation warrant basis, the entries do not reflect the accruing obligations of the Government currently.

Those entrusted with this new job recognized an opportunity, through the creation of an efficient emergency organization, to demonstrate to the President and Congress the practicability of modernizing and centralizing the accounting setup for the entire Federal Government. Their carefully planned procedures formed a system designed to accomplish these major purposes:

1. To exercise centralized accounting control over the allocation and expenditure of the relief funds.

- 2. To make a current preaudit of all expenditures.
- 3. To maintain a current record of the accruing liabilities of the Government.
- 4. To maintain accounting control of all funds coming into possession of disbursing officers.
- 5. To provide current financial data for operating purposes
- 6. To compile an annual financial report for the information of Congress.

Most vital was the necessity for producing current, periodic reports on the status of expenditures. This enabled the administrators of the spending program to be constantly informed as to the availability of funds and to keep within the limitations established for the various projects. These reports were a tremendously important factor when emergency relief funds were utilized to alleviate distress in flooded areas and in New England following the hurricane.

SOME PROBLEMS

IT was necessary, in order to afford quick relief to the stricken areas, to transfer surplus funds from other states without delay. Without the Treasury's emergency system of fund reporting, this would never have been possible.

To produce reports on an accrual basis so as to reflect properly the obligations of the Government, it was necessary to conduct a preaudit examination of payrolls and procurement vouchers, to determine in advance of payment the legality and propriety of proposed payments.

For the purpose of effectuating these objectives, branch United States Treasury accounts and disbursing offices were established in each state and territorial possession. In the District of Columbia, a central accounts office was created to coordinate the work of the field offices. All obligations documents as well as payroll and procurement vouchers prepared in the state offices of approximately 80 Federal administrative agencies (Works Progress Administration, National Youth Administration, Farm Security Administration, etc.), were required to be sent to the Treasury accounts offices in the respective states for examination prior to release to the Treasury branch disbursing office for payment. The documents were examined to determine that they represented legal obligations against the United States, that they were in proper form, and that there were funds available for payment.

Any voucher or document found irregular in any way was returned to the administrative agency where it originated for corrective action. If found to be in order, the voucher was certified for payment by the Treasury accounts office and sent to the disbursing clerk to draw the check. A carbon copy of the check was then returned to the Treasury accounts office where it was verified with the voucher to see that the name of the payee and amounts were correct, after which the check was mailed. Hundreds of thousands of dollars in illegal and improper payments have been saved the Government through this procedure.

Before a Treasury disbursing officer may pay a voucher he must have to his official credit an available balance under

By G. E. MACDONALD

the particular appropriation involved. In order to procure such credit, the head of the department, bureau or establishment in Washington must submit a requisition on the Secretary of the Treasury for an advance of funds for the appropriation involved. This requisition is forwarded to the General Accounting Office for approval before coming to the Treasury.

ties

ing

ur-

ma-

ent,

led

itly

hin

ese

ier-

in

ne.

the tes em lect ary rothe ach ces on. vas blient 80 iisity

the

miing erthe ere vas ted her ice A iry see ter of the ner

der

NG

On the basis of the requisition, the Secretary of the Treasury issues an accountable warrant, so called because the disbursing officer is accountable for the proper expenditure or legal disposition of the money contained therein. This warrant is reflected as a charge in the appropriation account on the books of the Treasury Division of Bookkeeping and Warrants and as a credit in the disbursing officer's checking account on the books of the Treasury. On the basis of the approved payrolls and vouchers, and within

the amount standing to his credit on the Treasurer's books, the disbursing officer is authorized to draw checks in the payment of Government obligations. In order to make available without delay the funds required to operate the program in each state, the Treasury Department in Washington telegraphs the disbursing officer that the necessary amounts have been transferred to his disbursing account with the Treasurer of the United States.

Every 10 days reports are prepared in the Treasury state accounts offices reflecting the status of funds by appropriation, by agency, by objects of expenditure, etc. These reports are consolidated in the Treasury central accounts office.

The annual reports to Congress are compiled at the close of the calendar year and in 10 days a report of over 500 pages, giving in detail the status of all relief appropriation accounts by department, by state, by object of expenditure, etc., is submitted to Congress.

So successful has been the operation of the Treasury's emergency accounting organization that it has evoked favorable comment from accounting experts generally, who see in it the nucleus of a system which could be extended to all regular departments of the Government with resulting efficiency and economy.

Paying 270,000,000 Checks in Four Years



I. An examiner in one of the 56 Treasury State Accounts Offices checks payrolls to verify wage scales, hours worked, etc. Over 250,000 project ledger sheets are kept



II. After the Treasury examiners approve payrolls and vouchers for payment, checks are written and placed in machines which sign and seal them in envelopes automatically



III. High speed accounting machines record each transaction. Every 10 days each Accounts Office reports to Washington



IV. Reports are flown to Washington for consolidation and submission to administrative agencies and Congress

July 1939

How to Make Advertising Talk

MR. WRIGHT is the author of a recent book, Public Relations for Business.

THAT banks today are using effective sales psychology is apparent to anyone familiar with their advertising. It is an old principle of salesmanship that you don't sell commodities; you sell service. In trying to make a sale, you don't emphasize the thing itself, but you show what the thing will do. If you succeed in selling an automobile, it is because your customer is convinced of the pleasure, comfort, economy or speed that he will enjoy.

It is the same with banking. The borrower or depositor isn't going to be induced to do business with you merely because you have a good bank, but rather because it is through your bank that he can get what he wants or needs. Effective bank advertising, then, points out to the reader how his desires can be met. To point these things out, you

must, of course, know what his desires are.

Now what does the average man want? Many things. He wants to win some girl's love, to get married, to have a home, to pay his bills, to make his future secure, to send his children through college, to own an automobile, to take a vacation, to consult a doctor or dentist when necessary. There is a vast array of things he desires. To achieve any of them, his bank can help him. The bank tells him so, when it is doing its full duty to itself and to its community.

To show a man how your bank can help him, you must talk his language. You must tell your story to him along the lines of the things he is interested in. You must appeal to his emotions, for his emotions are back of all his decisions.

TWO PRETTY GIRLS

TAKE "sex appeal," for example. On the surface, it might seem to have little in common with bank services, yet some of the most effective bank advertising is based on it. An advertisement of the Beneficial Saving Fund, of Philadelphia, is typical.

A picture shows two pretty girls with their heads together, looking at a young man holding a pass book. The

heading reads:

"He's the Man for Me. . . . I wouldn't marry a grouch"

Then we read the explanation:

"He smiles easily and often, for his Beneficial Savings account keeps him free from worry."

Now the ad becomes personal:

"Is some lucky girl saying the same for you? Will she marry you, secure in the knowledge that you will be a safe husband—yet a lighthearted companion who will eagerly join her in the happy job of making a home?

"Only if your mind is at ease will you know complete happiness. Weekly deposits in a Beneficial Savings Account is the sure, easy way to insure lasting peace of mind.

"It's the sensible way to save, too, because this friendly Mutual Savings Bank is managed solely for the benefit of its depositors. They get all the profits."

The appeal of that advertisement is the same, of course, as the appeal used to sell deodorants, dentifrices and frag-

rant smoking tobacco. For this reason, bankers of a generation ago probably would have sniffed at it. Today, however, the clear-eyed banker feels no loss of dignity in going into the market place to cry his wares. The fact that the same cry is used for less nobler services than his, would be no justification for his keeping silent.

The success motive as an appeal is reminiscent of advertising for correspondence schools. But correspondence schools, it must be remembered, have built huge enrolments by the effectiveness of their advertising. To adopt methods that have proved successful is exercising sound business

judgment.

THE HOME APPEAL

THE appeal to the desire for domestic harmony is used by some of the nation's shrewdest advertisers to sell washing compounds, canned soups and electric refrigerators. Progressive banks are using it, too. The mutual savings banks of Massachusetts, for example, have run cartoon strips that entertained the reader while they drove home the message. A representative ad, showing a picture of a tearful wife and an angry husband, carried the legend:

"'You can't talk to me like that!'

"(The chances are 7 out of 10 they quarreled about money.)"

"In a nation-wide survey by the Ladies' Home Journal among women, 69 per cent give money as the chief source of

friction in marriage."

The strip of four pictures begins with a quarrel in which the husband says, "How can you expect to have a new vacuum cleaner if we're always in debt?" It ends with the couple holding hands and the husband saying, "Gosh! sweet, we haven't had a quarrel in months!" To which the wife replies, "That's because we've got money in the bank—no worry about that any more."

Advertising for the savings department may be said to represent a development. It is vastly more attractive and more informative than it used to be, but the basic appeal is the same as it always was. In the department of personal loans, on the other hand, we have an innovation. The task here is one of educating the public, rather than merely re-

minding it or stimulating it to action.

The conservative banker has some merit in his contention that personal loan advertising is not always ideal. Consider this headline on an advertisement:

"Streamline Financing For Your Automobile"

Streamlining suggests speed, a sort of flying through the air with the greatest of ease. Is it precisely the right suggestion?

Or take this ad:

"Yes, the First National will lend you money. Here's proof!

"A Loan a Minute—During 1938 the First National handled 97,464 loans totaling \$121,473,798.23, averaging a loan a minute every banking day."

Such advertising, in the belief of many bankers, tends to make borrowing seem too casual. Borrowing is a very simple

By MILTON WRIGHT

matter, of course, but, they point out, there are some people who have no right even to think of borrowing. If an advertisement plants in their minds an unjustifiable desire to borrow, then the advertisement has done something it shouldn't do. If a bank attracts a lot of applicants and then turns them away, it makes more enemies than it does friends.

To guard against raising false hopes, some banks use ads like this one by the Society for Savings, of Cleveland:

"Before You Borrow Money. . . . THINK:

"First, is this loan really necessary?

er,

he

is

a-

r-

CIE

ts

ds

SS

S

ıt

e.

d

it

 $_{ll}$

f

h

V C

0

0

d

S

1

Š

1

r

"Will it help you personally or in business?

"Are you living within your income?

"If your answers are 'Yes' you will be glad to know that the Society for Savings will loan from \$50 to \$1,000 to anyone who has a steady job and is in the habit of paying his bills."

It is significant that in one of the few ads in which the National City Bank mentioned personal loans, it carried this warning in bold type:

"Don't Borrow Unless You Must.

"There is another chapter which could be written in the history of the Personal Credit Department. It would tell the stories of the men and women who, coming to the bank with the intention of borrowing, were helped by sympathetic counsel to revise their budgets and solve their problems without going into debt. The National City Bank believes no individual ever should borrow if he can help it. We do everything possible to discourage unnecessary or uneconomic debt.'

Copy like that blesses him who reads and him who writes. The careless spender may be deterred from assuming an unnecessary burden, and confidence in the good intentions of the bank is still more firmly established.

INFORMATIVE COPY

WHILE personal loan advertising should be informative rather than persuasive, this principle need not detract from the emotional strength of the advertising. Sometimes a mere statement of pertinent facts can of itself make a good advertisement, as one by the Lincoln-Alliance Bank and Trust Company, of Rochester, bears witness:

"Money For Rent.

"If you are steadily employed and meet our simple, business-like requirements, you can get a personal loan of \$100 to \$1,000 at the Lincoln-Alliance.

"What it costs. (etc., etc.) "How to get it." (etc., etc.)

For information really to sink in, however, it must be on a matter in which the reader already is interested. Suppose the prospective customer is thinking of buying a new car. Information about what the bank can do for him will be welcomed and will be read carefully. Such ads as this one, used by the First National Bank, of Portland, Oregon, are effective:

"When you buy your car this low cost way through the First National Bank. . . .

"1. You make a cash deal

"2. Place insurance where you wish

"3. Enjoy low cost financing

"4. Build your personal credit."

Debt is something that many people fear. To them, borrowing from a bank means simply that they are incurring more debt, or at best merely exchanging one debt for another. Here is an opportunity for the wide-awake banker to help his bank, his customer and his community. He takes advantage of this opportunity by running such educational copy as this, used by the Central Trust Company, of Rochester:

"Straighten out your finances and keep them straight . . with a Central Trust Income Advance.

"If you've contracted debts you can't pay immediately, that's no disgrace. Emergencies can throw the best of budgets out of balance.

"But you don't have to keep on owing a lot of small bills, each a source of worry out of all proportion to its size. From now on you can 'Central-ize' your debt with an Income Advance from this bank . . substituting for several obligations and many worries, one obligation and no worry."

A MATTER OF PSYCHOLOGY

ESPECIALLY notable in that advertisement is the use of the term "Income Advance." The words debt, loan and borrowing are hateful to many persons. Subconsciously, they may be prejudiced against advertisers who use them. With Income Advance, there is a wholly different feeling. Furthermore, Income Advance carries the correct implication that your income must be assured before the bank will advance you money on it. That one term alone is an indication of the extent to which sound bank advertising is catching up with resultful merchandise advertising.

There is abundant evidence on every hand, in fact, that bank advertisers are not lagging behind. A glance at the key lines of some of the advertisements will show that bankers have more than a little understanding of the emotional springs that move people to action, and that they are in

step with people's thinking.

STREAMLINERS

SUCH attention-arresting headings as these are in keeping with the times:

"How many times must you buy the same house?"

"Try borrowing from yourself."

"Bills! Bills! Bills!"

"Try this memory test."

"Look your creditors right in the eye."

"Go Ahead Club."

"Pay Cash!"

"Put all your debts in one basket."

"Money when money is needed."

"Will you still be paying rent in 1969?"

"Credit is a giant . . . let it work for you."

"Start building your house with a pair of scissors." "Getting nowhere? . . . Find out about personal loans."

From the Manufacturers Trust Company on the eastern seaboard to the Bank of America on the western, progressive banks across the country steadily are raising the effectiveness of their advertising. Nor is any bank obliged to work blindly. Effective advertising copy and layouts are available through various agencies and other sources. Through abundant channels the alert banker has at his command the best of advertising counsel, suggestion and example - and he is using it to a rapidly increasing degree.

Government Lending

Mr. Edwards is Director of the Research Council, American Bankers Association

ESPITE the passing of abnormal conditions from which they sprang, Government credit agencies increased their output of new loans and investments in 1938 by more than \$270,000,000 as compared with 1937. Over \$200,000,000 of these increased advances were issued by agencies designated as temporary instrumentalities in the laws which created them and endowed them with specialized powers and financial resources beyond the scope of nongovernmental credit processes.

At the end of 1938 the net results of the loans and investments made and repayments received by 24 agencies actively engaged in business during the year showed expansion in aggregate outstandings in the amount of more than \$490,000,000 as compared with the end of 1937. The increased activities reflected by these figures were made possible in part by enlarged lending powers granted to some of the agencies by legislation passed in 1938.

In response to inquiries by the office of the Research Council of the American Bankers Association, information supplied by 23 of the 24 agencies composing the three main classes of Government lenders shows that their new loans in 1938 reached \$2,080,000,000 as compared with \$1,810,000,000 in 1937. Total loans outstanding of all 24 agencies were given at \$7,340,000,000 on December 31, 1938, as compared with \$6,850,000,000 December 31, 1937.

The activities of the Government credit agencies during these two years are shown in detail in the accompanying tables. They indicate an acceleration in Government lending activities. Similar data for 1936–37, presented in the Research Council's book *The Earning Power of Banks* show that new loans increased in 1937 by only \$1,630,000.

LOANS BY GROUPS OF AGENCIES

NEW loans reported by eight of the nine farm lending agencies for 1938 aggregated about \$1,005,000,000 as compared with more than \$1,008,000,000 for 1937, a drop of some \$3,000,000. The outstandings of all nine of these agencies rose from \$3,694,000,000 on December 31, 1937 to \$3,761,000,000 December 31, 1938, or by \$67,000,000. The details are given in Table I.

This tabulation shows that of the eight farm lending agencies for which figures are available with regard to loans made, there were increases in four cases and decreases in four in 1938 as compared with 1937. As to year-end outstandings, which include various classes of loans deemed uncollectible, of the nine agencies for which figures are tabulated, there were increases in four cases and decreases in five.

Home mortgage loans as reported by the four agencies classified in this field were about \$486,500,000 in 1938 as compared with \$476,000,000 in 1937, an increase of \$10,500,000. Year-end outstandings for this group rose from \$1,116,000,000 to \$1,369,000,000, or by \$253,000,000. The Home Owners' Loan Corporation, created in 1933 as an emergency instrumentality to refinance mortgages of distressed urban

home owners, ceased this activity in June 1936 and its figures are not included in these data which cover only presently active agencies; HOLC mortgage loans are amortized and are running off at the rate of over \$150,000,000 a year. Details of the operations of the active home mortgage loan agencies are given in Table II.

soci

sion

pres

law

Fed

duc

Cre

Loa

eral

adv

Ma

As

Fee Fee Pro All Ag Fee Fa

of l

Of the four agencies whose operations are tabulated therein, there were decreases in the amounts of loans made in 1938 as compared with 1937 in three cases and an increase in one, the new Federal National Mortgage Association, organized in 1938 to invest in insured mortgages on new homes including large-size housing projects; it took over \$30,000,000 in insured mortgages from the RFC Mortgage Company. Two agencies increased and two decreased outstandings.

Loans and investments reported by the 11 miscellaneous agencies, including the Reconstruction Finance Corporation and various others, aggregated \$589,300,000 in 1938 as against \$324,400,000 in 1937, an expansion of \$264,900,000. The outstandings of all 11 expanded from \$2,040,100,000 at the end of 1937 to \$2,210,200,000 December 31, 1938, or by more than \$170,000,000. The details of the operations of this group are given in Table III.

This tabulation shows that the loans made by nine out of the 11 miscellaneous agencies listed were greater in 1938 than in 1937; in one case they were less and in one no activity occurred in either year. As to year-end outstandings, seven agencies show increases and four decreases.

LOANS TO BANKS DECREASE

IF the figures on outstanding loans and investments of the Reconstruction Finance Corporation are broken down into those relating to banks and other financial institutions as against those relating to railroad, industrial and other interests, it is shown that the former category dropped by over \$34,000,000 while the latter rose by \$89,000,000.

The extent to which banks and trust companies have freed themselves from dependence on Government financial aid is strikingly revealed by the Reconstruction Finance Corporation report of May 27, 1939. Since its inception in 1932 the RFC, through April 30, 1939, has authorized loans to 7,536 banks and trust companies, including institutions in receivership, in the amount of \$2,545,000,000. Of this amount about \$525,000,000 was unavailed of and \$2,020,000,000 disbursed to them. Of this latter amount \$1,900,000,000, or 94 per cent, has been repaid by the borrowing institutions. Only \$8,670,000 is still owing to the RFC from open banks, of which \$7,495,000 is due from a single mortgage and trust company.

During this same period, under authorizations made by the RFC for the purchase of preferred stock, capital notes and debentures and for loans secured by preferred stock, involving in all about 6,800 banks and trust companies, \$1,160,000,000 was disbursed, of which nearly \$580,000,000, or 50 per cent, has been repaid.

Government lending agencies fall into two main classes—permanent institutions and temporary instrumentalities created or adapted to cope with various economic and

By GURDEN EDWARDS

social emergency conditions growing out of the depression.

ly

r-

a

ge

d

se

r-

es

y.

S

n is). 0

of of 8

0

S

r

d s - 2 o a s

3

S

Thirteen of the 24 agencies whose lending activities are presented in the three tables below were designated in the laws creating them as permanent institutions. They are: Federal Land Banks, Federal Intermediate Credit Banks, Production Credit Associations, Banks for Cooperatives, Federal Credit Unions, Farm Credit Administration, Federal Home Loan Banks, Federal Savings and Loan Associations, Federal National Mortgage Association, Federal Reserve Bank advances, Farm Security Administration, United States Maritime Commission and United States Housing Authority.

Eight of the permanent institutions made larger volumes of loans in 1938 than in 1937 and five made smaller volumes. As a whole, the combined new advances of these agencies were \$71,000,000 larger in 1938 than in 1937.

Eleven of the agencies were designated as temporary instrumentalities. They are: Federal Farm Mortgage Corporation (Land Bank Commissioner Loans), Agricultural Marketing Act Revolving Fund, Commodity Credit Corporation, RFC Mortgage Company, Reconstruction Finance Corporation, Disaster Loan Corporation, Electric Home and Farm Authority, Export-Import Bank of Washington, Rural Electrification Administration, Inland Waterways Corporation and Federal Emergency Administration of Public Works.

As to loaning activity of the temporary agencies, one made no loans in either 1937 or 1938, data for one are lacking, six made larger volumes of loans in 1938 and three had smaller volumes. The loans of this group as a whole were larger by over \$201,000,000 in 1938 than in 1937.

This means that to the \$272,000,000 by which the 1938 loans of all agencies exceeded those made in 1937 nearly 74 per cent was contributed by the temporary agencies.

The loans made by the permanent institutions in 1937 aggregated \$1,461,600,000 and in 1938 they were \$1,532,500,000, an expansion of less than 5 per cent.

The loans made by the temporary agencies in 1937 aggregated \$347,000,000 and in 1938 they were \$548,000,000, an expansion for this group of almost 58 per cent.

TABLE I. FARM LOAN AGENCIES

	D 41 4 1 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4	200121 110211	0120					
		LOANS MADE		LOANS OUTSTANDING				
			(00	O omitted)				
	1937	1938	Change	1937	1938	Change		
Federal Land Banks	\$ 63,090	\$ 51,420	-\$11,670	\$2,035,310	\$1,982,220	-\$53,090		
Federal Farm Mortgage Corporation	40,020	29,390	-10,630	812,750	752,850	- 59,900		
Federal Intermediate Credit Banks	449,570	464,020	+14,450	207,470	202,860	- 4,610		
Production Credit Associations	286,580	302,620	+ 16,040	138,170	148,040	+ 9,870		
All Banks for Cooperatives	97,580	94,940	- 2,640	87,630	87,500	- 130		
Agricultural Marketing Act Revolving Fund	5,935	7,910	+ 1,975	98,970	91,180	- 7,790		
Federal Credit Unions	32,970	35,090	+ 2,120	15,600	21,370	+ 5,770		
Farm Credit Administration	32,510	19,580	- 12,930	115,020	116,130	+ 1,110		
Commodity Credit Corporation	*	*		182,880 **	358,450	+175,570		
Total	\$1,008,255	\$1,004,970	-\$ 3,285	\$3,693,800	\$3,760,600	+\$66,800		

^{*} Figures on loans made by this agency are not available on a basis comparable with those for other agencies.

** United States Treasury figure.

TABLE II. HOME MORTGAGE LOAN AGENCIES

01111111111111111111	1 011011 -0111					
	LOANS MADE		LO	LOANS OUTSTANDING		
1937	1938	Change	1937	1938	Change	
\$123,250	\$ 81,960	-\$41,290	\$ 200,100	\$ 198,840	-\$ 1,260	
307,230	286,900	-20,330	848,620	1,034,160	+ 185,540	
45,390	35,320	-10,070	67,530	54,230	- 13,300	
none	82,170	+ 82,170	none	82,170	+ 82,170	
\$475.870	\$486.350	+\$10,480	\$1.116.250	\$1,369,400	+\$253,150	
	\$123,250 307,230 45,390	1937 1938 \$123,250 \$ 81,960 307,230 286,900 45,390 35,320 none 82,170	1937 1938 Change \$123,250 \$ 81,960 -\$41,290 307,230 286,900 - 20,330 45,390 35,320 - 10,070 none 82,170 + 82,170	1937 1938 (000 omitted) \$123,250 \$ 81,960 -\$41,290 \$ 200,100 307,230 286,900 -20,330 848,620 45,390 35,320 -10,070 67,530 none 82,170 +82,170 none	1937 1938 Change 1937 1938	

TABLE III. MISCELLANEOUS LOAN AGENCIES

•	LOANS MADE				LOANS OUTSTANDING			
				(000 on	nitted)			
	1937	1938	C	hange	1937	1938	C	hange
Reconstruction Finance Corporation	\$165,040	\$309,260	+\$	144,220	\$1,608,940	\$1,663,810	+5	54,870
Disaster Loan Corporation	6,280	2,320	_	3,960	5,910	6,930	+	1,020
Electric Home & Farm Authority	3,580	6,030	+	2,450	3,805	6,755	+	2,950
Export-Import Bank of Washington	7,690	18,600	+	10,910	17,370	26,200	+	8,830
Rural Electrification Administration	37,620	99,090	+	61,470	81,570	180,600	+	99,030
Federal Reserve Bank Advances	4,930	6,060	+	1,130	20,200	17,250		2,950
Inland Waterways Corporation	none	none	1	none	547	514	_	33
Farm Security Administration	63,820	83,660	+	19,840	121,750	170,210	+	48,460
United States Maritime Commission	none	2,000	+	2,000	85,120	61,780		23,340
Federal Emergency Administration of Public Works	35,400	40,190	+	4,790	84,890	44,570	_	40,320
United States Housing Authority *	66	22,060	+	21,994	10,020	31,600	+	21,580
Total	\$324,426	\$589,270	+5	264,844	\$2,040,122	\$2,210,219	+1	\$170,097

^{*} This Authority absorbed the functions of the former Housing Division of the PWA.

Unsound Banking

Following is a syndicated column by General Hugh S. Johnson which appeared in the newspapers on June 7 under the title "Unsound Banking." It is reproduced here by permission of the United Features Syndicate. In the accompanying panel on this page are related paragraphs from the testimony of A. A. Berle, Jr., Assistant Secretary of State, before the Temporary National Economic Committee on May 23.

THE Government should not make indiscriminate commercial loans to business as Senator Mead proposes. It is true that the banks are not lending the amount of money they did during prosperity and much more lending would be necessary to support the volume of business that once kept most of our people employed. But it by no means follows that the way to recover that commerce is to have the Government either lend or guarantee the kind of loans that the banks are unwilling to make.

In the first place the only way a bank can make profits is to lend money—to both big and little customers. It is as much the business and instinct of a banker to lend money and make profits as it is the business and instinct of a hog to root. All the banks and bankers I know are hungry to make loans—and most of them are scouring the woods for them as never before in recent years.

"OTHER PEOPLE'S MONEY"

BUT most of the credit of bank loans is O.P.M.—other people's money—held in trust under greater responsibility than ever before. A banker can't make bad loans and live. He must feel reasonably convinced that principal and interest will be paid. Banks can't speculate or gamble with depositors' money. Because too many of them did that in the high old days of 1928 and 1929, the crash wiped out so much of the savings of the poor that bankers dropped to the lowest repute in my lifetime. We certainly don't want that to happen again.

Furthermore, there are two parties to every loan—a borrower and a lender. Most businessmen are no more willing to risk borrowing money they can't repay than are banks to lend it. If you don't pay your debts the sheriff is going to get you and bankruptcy is usually a sentence of economic death to a businessman—large or small.

That fate is not escaped by having the Government "guarantee" your loan to the bank. Either the bank will have to sell you out before it can collect the guarantee, or the Government itself will have to move in the same way—and the Government is no David Harum in softening foreclosures, not even for widows or orphans.

Beyond all these objections is the danger that if the Government goes into unlimited banking business on Federal money it won't be long before we shall have a collapse and Government ownership of everything—outright Communism. But that involves a long discussion a little beside the point of this piece.

ACTIVE BUSINESS MAKES ACTIVE BANKING

IT is active business that makes active banking—and not the reverse. Both depend on the reasonable belief of borrowers as well as lenders that money can be used to make a profit—and be repaid. It is precisely the general unfortunate absence of this belief that stagnates the active use of banking

Government-made "Wealth"

IF . . . wealth is to be created by creation of Government debt, the scope of Government enterprise must be largely increased. Briefly, the Government will have to enter into the direct financing of activities now supposed to be private; and a continuance of that direct financing must be inevitably that the Government ultimately will control and own those activities.

This is certainly so fundamental a change in the course of American life that the decision to make it should be taken for reasons other than relief of a series of temporary difficulties. If the country desires to make wealth creation a function of government (I personally believe it must do so in larger measure than it has herefore), the choice should be the considered choice of the country, and not the result of a policy of drift.

The Government's ability to create wealth efficiently is denied by a good many people. It seems to me a good many of these attacks are unjustified, though I am frankly biased in favor of public ownership of certain forms of wealth. The country will probably be deciding in the next few years whether the Government ought not to own, directly or indirectly, part of the national plant such as railroads, electric power, and mineral resources; and the Temporary National Economic Committee may give us a final answer.

But in any case, it is true that there are vast areas in which the Government probably cannot act effectively. Where the service to be rendered or the goods to be turned out are standard; where the problem of choice or fashion or individual desire does not enter into the problem very much; where the development of the art is not rapid, and where the benefit from the plant constructed is generally distributed, and especially where the process of rendering the service or creating the goods tends to be a monopoly, the Government has a possible field for expansion. Where these elements are not present, the ability of the Government to do a good job becomes questionable, to say the least. The Government undoubtedly could mine and deliver ore from the Minnesota fields without difficulty. Conceivably, it could smelt the ore into steel. But if the Government endeavored to go into the business of fine castings or steel specialties, either the nature of industry would have to change, or the nature of Government would have to A. A. BERLE, JR. change.

credit by borrowers to make active business. The credit is there idle in unheard-of surplus. Bankers as well as businessmen are intensely eager as government to see it flow to work as it used to flow. Senator Mead's proposed business banks are not likely to help this situation because they will not touch the cause of it.

This bill could produce some effect only if it is intended and written to provide money to irresponsible borrowers on probably uncollectible paper. I do not so understand it but, if I misread it and it does so intend, it would work a far worse evil than it attempts to cure.

It would penalize prudence, prefer dead-beats and gamblers and throw more Federal money away with less return than Harry Hopkins ever dreamed of doing.

HUGH S. JOHNSON

The Trend of Things

In Washington, Congress worked on a mass of legislation that seemed likely to delay adjournment until well into the Summer. Tax revision, relief, neutrality, credit for small business, monetary matters and the monopoly committee's hearings provided some of the headlines from the capital.

Secretary Morgenthau's statement that the "basic need today is to foster the full application of the driving force of private capital" found the National Association of Manufacturers ready with a tax revision program designed to stimulate recovery. Right, Undersecretary of the Treasury Hanes (left) and N el Sargent, representing the manufacturers organization





and manager of the Association of Life Insurance Presidents, appeared before the so-called Monopoly Committee during its inquiry into insurance

Vincent P. Whitsitt (foreground, left), general counsel

The Navy Department awarded \$350,000,000 in contracts for 24 new ships to be built in private yards. At the right, Assistant Secretary Edison (seated) signs the confirmation as Rear Admiral W. B. Woodson (center) and Warren McLaine, assistant to the Judge Advocate General, watch





Left, representatives of the State Department and members of the House Foreign Affairs Committee, discuss revision of the Neutrality Act at a meeting of the committee. Left to right, seated, Counselor Moore of the Department, Representative Bloom, New York, committee chairman; G. H. Hackworth, State Department legal adviser.

Standing, left to right, Carlton Savage, assistant to Mr. Moore; I. M. Barnes, committee clerk; and Representative Eaton, New Jersey

July 1939

work

not

nded

wers

ad it a far gamturn

NC

ING





Above, right, Mr. Hanes; left, Mr. Brown

Senate subcommittee hearings on the Mead bill for insured business loans brought assertions from banker witnesses that banks everywhere were doing their best to make loans to serve the credit needs of their communities. Robert M. Hanes, First Vice-president of the American Bankers Association, told the committee that the measure would "serve no purpose that is not now being served" through existing RFC and Reserve machinery for making such loans.

Other witnesses representing the Association were Henry W. Koeneke, President of the State Bank Division, and H. E. Cook, National Bank Division head.

Edward E. Brown, president of the First National Bank of Chicago, told the committee that "virtually no small business which is entitled to credit, either for a short or a long term, and which can give reasonable assurance of repayment, can fail to get credit."

Another step in implementing our Good Neighbor policy in South America was taken when the United States agreed to extend to Paraguay, through the Export-Import Bank, credits for use in a public works program and in supporting the currency. At the signing of the agreement, below, left to right, rear, were Herbert Feis and E. C. Collado, State Department, RFC Chairman Jesse Jones; Laurence Duggan, State Department; Secretary Morgenthau; President W. L. Pierson of the Bank; Undersecretary of State Welles; Pablo Ynsfran, Paraguayan Legation. Seated, left to right, Gen. Estigarribia, president-elect of Paraguay; and Secretary Hull



HARRIS & EWING PHOTOS

While King George and Queen Elizabeth were completing their visit to the New World, affairs in the Far East brought Britain and Japan to an "incident" that involved the question of foreign concessions in China.

Below, a scene in Tientsin where the trouble started over British refusal to surrender four Chinese whom the Japanese accused of terrorism.

Right, George VI lays a wreath on the tomb of Washington at Mount Vernon







In Europe, Great Britain tried to get Russia into the anti-aggression pact, meeting with a demand from Moscow that the guarantees must include all nations on the Soviet Union's borders.

The Rome-Berlin Axis was strengthened by the signature at Berlin of an Italo-German treaty. Subsequently, there were instances of open conflict in erstwhile Czechoslovakia between former nationals of that state and the occupying forces

July 1939

HOTOS ING

enrv and ank nall or a av-

d to the ent. the bia,

Selling Credit

LOANS... TO BUSINESS FIRMS

- COMMERCIAL LOANS: Whether you are a large commercial borrower or wish to arrange more modest credit accommodation, we are ready to assist you. We invite executives to discuss their plans and credit requirements with us.
- COLLATERAL LOANS: We are glad to advance financial help against marketable bonds or stocks.
- WAREHOUSE LOANS: New and increased lines of credit are quickly obtainable from marketable warehouse inventories without disturbing your usual, open credit limits.
- F.H.A. MODERNIZATION LOANS: Under Title 1, such loans for the improvement of store fronts, air conditioning, rebuilding or redecorating, etc., can be completed economically and conveniently.

We try to help in every loan request, either in granting the loan or helping the borrower by constructive suggestions to adjust his affairs so that a loan CAN be made.

Cone in, give us an outline of your needs and we will do all in our power to assist you.



Addressing the Wisconsin Bankers Association recently, President Benson of the American Bankers Association said: "The old frontier of the strictly self-liquidating commercial bank may be gone, but new frontiers of banking service are opening, More and more banks are developing into credit institutions serving the general financial needs of the people of their communities,"

"WE MADE MONEY WITH AN FHA LOAN"

"We here just made a good investment at home. We horrowed \$300 on the FRA loan plan to add a new bedroom and bath. It cost only \$3.53 a month for each acc rested the rooms for \$17 a month. That's \$7.41 there profit for us:"



W11Y not take that unfinished artic, space over the garage, or unused part of your house and turn it non once with is pring? Under the liberal HIAA loan plan you may borrow for all sorts of property unprovements and repurse, with repayment in convenient monthly installments up to 3 years.

You can apply for an FHA modernization loan at any office of the Marine Trust Company. Or, if your con-

tractor arranges the financing, ask him to place your loan at the Marine. In either case your payments can be made at any of our 34 offices, located throughout Buffalo and in Batavia, East Aurora, Lackawanna and Snyder.

PERSONAL LOAMS—Under the Midland Time Loan Plan you can borrow at low rates for a wide variety of personal needs at any one of the Marine's 34 conveniently located neighborhood offices.

34 CONVENIENT OFFICES including offices in Batavia, East Anrora, Lackas anna and Snyder

MARINE TRUST COMPANY

To Business Concerns That Can Use Bank Credit Profitably

To the business concerns of St. Louis that are entitled to bank credit and can now use additional funds profitably, we would like to extend a cordial invitation to make full use of the credit facilities of this Bank. Our requirements are simple, and fundamental to good banking-a sound purpose, a satisfactory credit rating, and a reasonable plan for paying off the loan. Whatever the amount-large or small-applications will be welcomed, and will receive our careful consideration. If we can serve you we shall be more than glad to do so. Inquiries are solicited.

FIRST NATIONAL BANK

IN ST. LOUIS

Broadway . Locust . Olive



"PERSONAL LOAN FOR VACATION?" "CERTAINLY!"

Experience assures the wisdom of borrowing money to maintain family health or happiness.

If a Passaic National Personal Loan will give you the restful vacation you need or help you to meet bills for medical or dental treatment, or to consolidate debts, call, write or telephone PAssaic 2-5600 immediately.

No red tape — loans are made promptly — you repay conveniently by the month.

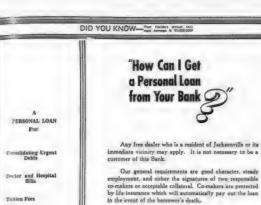
If you need a car see us about our low cost financing plan.

PASSAIC NATIONAL BANK AND TRUST COMPANY

Resource over \$14,000,000
Hember Pederal Deposit Insurance Composition
Member Pederal Resource Systems

Monton Federal Resource System

BANKING SERVICE ADAPTED TO THE TIMES FOR 53 YEARS



lent tier

but

nks cial

> Taxes Home Improvements

Insurance Premiums Vacation Expenses

Business Obligations

Any Other Useful and Sound Purpose

Our general requirements are good character, steady employment, and either the signatures of two, responsible comakers or acceptable collateral. Co-makers are protected by life insurance which will automatically pay out the loan in the event of the borrower's death.

Our charges are 5% discount plus 1% for insurance and a small credit investigation fee. No investigation fee is charged if the application is declined.

Ask the manager of our Installment Loan Department for full particulars or send for our pamphlet titled "The At-lantic Personal Loan Plan".

Banks are aggressively merchandising their credit services, as is evident from these advertisements which represent a few of the many accommodations now being offered





Do You Need Money

TO IMPROVE YOUR HOME OR PROPERTY?

T will pay you to keep your property in first class condition. Painting—new rooting—a modernized kitchen—a new heating plant—perhaps a basement playroom - landscaping and new shrubbingthese improvements help maintain the soundness of

An FHA loan from the bank will provide the necessary cash; and convenient terms of payment over two or three years can be arranged. The interest rate is reasonable. Consider the following examples:

TO SORROW FOR	Om Year	Two Years	Three Years	
	BEPAYMENTS	24 MONTHLY REPAYMENTS	36 HONTHLY	
\$100.00	\$17.55	\$ 9.18	\$ 6.39	
300.00	26.32	13-77	9-59	
\$00.00	43.86	23.95	15.97	
700.00	61.48	32.13	23.36	

An officer at any Lincoln-Alliance Office will be pleased to discuss your Loan requirements with you and provide you with an application blank.

LINCOLN-ALLIANCE

BANK AND TRUST COMPANY

NG

Chapters Choose Cheerfully

BLUES vs. REDS

American Institute of Banking chapter elections are widely known for their knock-'em-down-and-drag-'em-out campaigns. When the ballots are counted the winning ticket knows it's been in a fight.

Shown on this page are pieces of campaign literature—cards, circulars and pictures—used by the Memphis, Tennessee, chapter members in the 1939 pre-election efforts of the Reds against the Blues. Henry F. Alsobrook of the Union Planters National Bank & Trust Company, who forwarded the material to Banking, reports that out of nine offices, the Blue Ticket won five.

The recent campaign in Memphis typifies chapter election campaigns throughout the country. The rivalry is always keen—and always friendly.

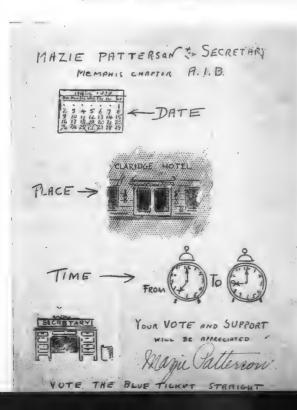


A STRING FOR YOUR FINGER TO

REMIND YOU TO VOTE

MAZIE PATTERSON
(National Bank of Commerce)
for
Secretary

Memphis Chapter, American Institute of Bankinge



" C C C "

IS NOT A PENNY SERENADE

CONSIDER COYLE CAPABLE



BANKING

Rochester's Food Stamps

THE Federal Surplus Commodity Corporation's food stamp experiment at Rochester, New York, enters the second lap of a three-month test to determine the advisability of national extention. If all goes well there and in other test cities, banks throughout the country may be called upon to cooperate in cashing the stamps for food distributors under the system now used in Rochester, where food sales have increased considerably.

Relief clients and WPA workers who buy \$1 in orange stamps at the local FSCC office receive free from the Government 50 cents' worth of blue

stamps. Orange stamps are accepted as cash for any product in retail grocery stores; the blues are good only for surplus commodities. Sale of orange stamps is tentatively limited to \$1 minimum and \$1.50 maximum per person per week.

The grocer pastes \$20 worth of food stamps on cards and presents them to the bank, which pays him the cash amount of the stamps. The bank lists the names of dealers submitting cards, together with total amounts, on special forms and returns them with the stamp cards to the local FSCC office for redemption.



FOG Form No. 400 Form approved by Comptroller General, U. S. April 13, 1989

CERTIFIED INVOICE FOR FOOD ORDER STAMPS

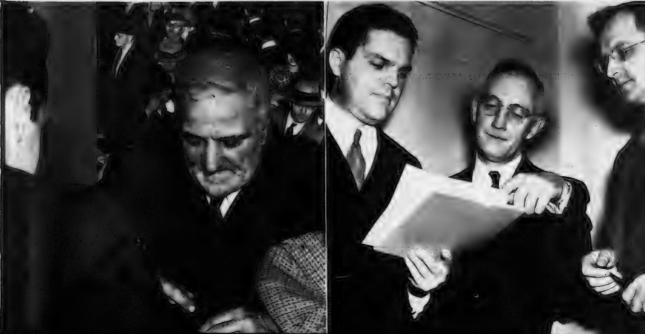
FEDERAL SURPLUS COMMODITIES CORPORATION, Da.,

(Payee wholessler, contral office of chair store, b	ank, or U. S. post office)				
Address					
REPARTS ON BRANTS OF CHAIR STORM FROM WHOM RECEIVED	NUMBER OF FOL	NUMBER OF FOUR ORDER STAMPS		AMOUNT	
(Name and address)	Orango-colored	Blue-colored	Dollare	Conta	
1					
2.	***************************************				
8		*****		-	
8		*****************			
6					

Abore, part of the form on which stamp card payments are listed Right, this grocer had to rush to the bank to get cash for his food stamps so that he could replenish his flour supply

Below, left, Christopher Fonti gets his stamps at the FSCC office; below, right, Delbert J. Merrill, general FSCC auditor, Harold F. Keenan and Francis Poore, representing the U. S. Department of Agriculture, which is interested in the surplus distribution

PHOTOS BY ROCHESTER DEMOCRAT CHRONICLE



On the Line

By Art Helfant

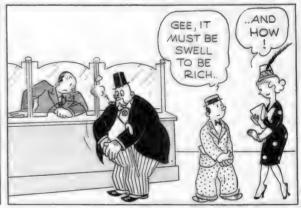














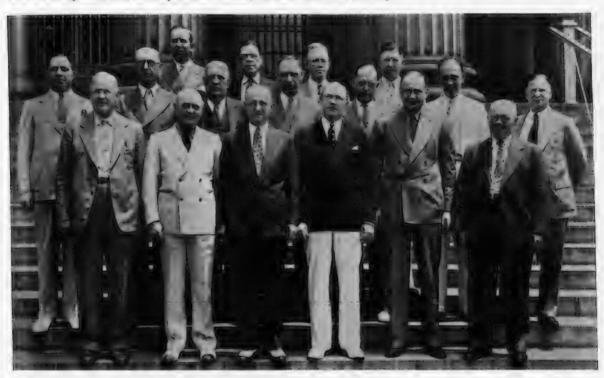


The Secret Service Enlists the Public

ONE of the most effective weapons used by the United States Secret Service in its war against counterfeiting is education of the public, particularly of business people who handle quantities of money. Much of this educational work is accomplished with the cooperation of banks, but the

Service does some of it directly, through the medium of classes for commercial cashiers, merchants, etc. Experienced agents give practical instruction in how to spot spurious bills.

On these pages are several pictures of a class held recently in New York City.





Above, the top men of the United States Secret Service.

Front row, left to right: Supervising Agent John C. Marsh, Atlanta District; Supervising Agent Thomas J. Callaghan, Chicago; Assistant Chief Joseph E. Murphy; Chief Frank J. Wilson; Supervising Agent George F. Boos, Detroit; Supervising Agent Thomas B. Foster, San Francisco.

Middle row, left to right: Supervising Agents Harry Cooper, Baltimore; William R. Jarrell, Seattle; Harry F. Barker, Boston; Charles A. Mazey, St. Paul; Rowland K. Goddard, Denver; A. A. Andrews, Louisville; and Former Agent W. A. Houghton.

Back row, left to right: Supervising Agents James J. Maloney, New York; William H. Davenport, Kansas City; William A. Landvoigt, Philadelphia; Forrest V. Sorrels, Houston.

Left, New York commercial cashiers examine counterfeit bills at the Service's recent school.





Above, an agent points out the importance of the portrait on enlargements of comparison bills (good and counterfeit) before passing out actual size samples of each for inspection by the class.

Left, guided by an experienced Secret Service agent, two New York merchants take notes on what to watch for in guarding against counterfeit money.

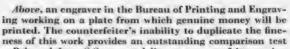
Below, the students show that they have learned their lessons; they are pointing out defects in enlarged photographs of spurious \$10 bills.





Secret Service agents frequently tell the story of the counterfeit war to banker groups. A recent example was the talk by William A. Landvoigt, chief of the Philadelphia district, before the New Jersey Bankers Association convention at Atlantic City. Mr. Landvoigt stressed the reduction in counterfeiting through cooperation of the bankers and public with the Service during the last three years. He urged bankers to increase their efforts to educate money handlers in the detection and suppression of counterfeiting.

Above, Mr. Landvoigt, right, shakes hands with Joseph F. Hammond, new president of the New Jersey Bankers Association, and president, Citizens Trust Company, Paterson. In the middle is George Letterhouse, the association's outgoing president, and vice-president and trust officer, Commercial Trust Company of New Jersey, Jersey City.



Below, left, a S.S. agent delivers a counterfeit warning notice to a New York bank teller. Right, an East Side merchant gets first-hand pointers on how to detect a spurious note



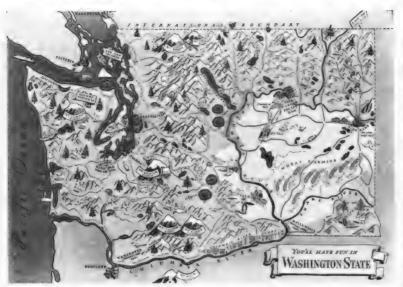


July 1939

of

it)

A Convention and a Golden Jubilee



Above, a pictorial map from a booklet issued in connection with Washington's Jubilee celebration

Scenic Washington

BANKERS attending the convention of the American Bankers Association at Seattle, September 25–28, will find scenic Washington observing the 50th anniversary of its statehood. More than 100 celebrations are being held this year throughout the State.

To those who plan to combine Convention and sight-seeing, Washington offers four points of particular interest to the tourist. The Washington State Progress Commission thus lists them: Mt. Rainier, three-mile snow-capped peak; Grand Coulee Dam, man's biggest engineering feat, now in its final phase of construction; the Puget Sound region, including the 172 San Juan Islands; and the new Olympic National Park, a mountain wilderness larger than the State of Rhode Island.

Below, Mt. Rainier, highest peak in the Cascade Range, covers 100 square miles and is guarded by the nation's largest series of glaciers. The view is from Sunrise Park

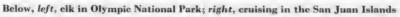


.11

BANKING



Grand Coulee dam, above, is a man-made wonder that rivals those of Nature. Some 500 feet high, this gigantic structure will divert Columbia River water over a now barren basin. The dam will be finished in 1941







July 1939

ion ciawill the ore eld onton rest ate em: oed oignal ind ian nal nan

FHA on the Farm



The immediate beneficiaries of this example of banker-farmer-FHA cooperation were the Davis dairy cows, pictured, above, in their new home.

Below, the model kitchen in the Davis house, Compton, California.

SELDOM USED OPPORTUNITY

The first FHA Title II farm loan in Los Angeles County, California, was recently granted to Gordon H. Davis, a Compton dairyman, by Howard Hutton, manager of the Compton branch of the Security-First National Bank of Los Angeles. Cooperating was Vic Davidson, FHA farm loan supervisor.

With the aid of this financing, Mr. Davis built the barn and house shown here, cutting a monthly rent of \$85 to \$71, including amortization.

The FHA Title II farm loan provisions have seldom been used.

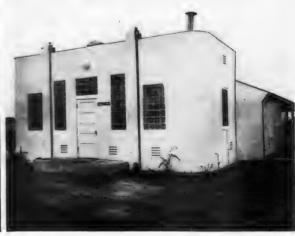
Below, left to right, Mr. Hutton, Dairyman Davis, and Mr. Davidson.





Below, left, the attractive home Dairyman Davis built; right, the model barn, well lighted, well ventilated and spacious.





VALUABLE RECORDS "COMPRESSED" TO SAFE-DEPOSIT-BOX SIZE

...and that means not only maximum safety and greater economy in your own record keeping, but an opportunity to increase safe-deposit-box rentals to depositors.





Bank Model Recordak for speeding up transit operations and for photographing paid checks to protect banks and depositors.



Reversible Recordak photo-

graphs both sides of checks and larger bank forms at a single

Recordak Junior for the smaller bank, and for special departments of large banks (tellers' cages, safe deposit vaults, etc.).

Commercial Recordak for photographing all bank forms. Widely used for the Recordak system of single posting.

EVERY Recordak model photographs any paper up to legal size... notes, stock certificates, securities held as collateral, wills, leases, escrows, etc. These "picture records" are 100% accurate copies of the originals—but they require 98% less storage space.

Recordak film rolls—each "accommodating" thousands of records—are little larger than a pack of cigarettes—a great many can be stored in the smallest safe deposit box.

Maximum safety at low cost

"Filing" on film, with Recordak, you can give your records, and your depositors' records, the safety of your safe deposit vaults at low cost. (Properly promoted, this record storage service rents a lot of safe deposit boxes.)

age service rents a lot of safe deposit boxes.)
And Recordak's "filing" job is of course a
spare time job. So speedy it photographs
thousands of items per hour, Recordak invariably has plenty of "spare time."

Recordak systems require no capital outlay; the machines are rented, not sold. Recordak systems are serviced from twelve conveniently located offices... one close to your bank. For further information regarding Recordak, write Recordak Corporation, Subsidiary of Eastman Kodak Company, 350 Madison Avenue, New York, N. Y.

Coming to the New York Fair?

You are cordially invited to make your New York headquarters at our offices, 350 Madison Avenue, at 45th Street.

RECORDAK PHOTOGRAPHIC ACCOUNTING SYSTEMS

NG

on of rst

ng er-

ng

ns



THOUSANDS SEE THE WORLD'S FAIR ANTHRACITE EXHIBIT HUNDREDS CHOOSE MODERN ANTHRACITE EQUIPMENT ON DISPLAY

E thracite Exhibit in the Home Building Center of the New York World's Fair. Most of these thousands are not merely sightseers, but thoughtful householders. Many of them are discovering for the first time how efficient, economical, and how convenient modern Anthracite equipment really is.

What banks and financial institutions can learn

Every bank and financial institution can learn a lesson in realty financing and maintenance from the Anthracite equipment prospects who visit the Fair.

Here are people learning for the first time that there are such conveniences as automatic Anthracite stokers, that thermostats can be installed with boilers and furnaces to give automatic heat control with extended firing periods. Here are people who are eager to learn about the new and improved Anthracite equipment available for the houses they will buy, build and remodel with the financial help you provide.

The important fact for the mortgage and maintenance departments of financial institutions, is that there are literally thousands of families eager for homes which have the convenience, safety, healthfulness, comfort and, especially, the economy of

> Pennsylvania Anthracite. Anthracite Industries, Inc. Chrysler Bldg., New York



A Uniform Account Analysis Plan

AUNIFORM plan for the analysis of checking accounts, applicable to all accounts, has been prepared by the Bank Management Commission, American Bankers Association, and published by the Association's Research Council.

"For many years," says the Commission's introduction, "there has been criticism among companies doing business on a nation-wide basis and maintaining balances in banks throughout the country of the lack of uniformity in respect to the methods used in analyzing accounts. Business men, of course, realize that costs and charges necessarily vary from one locality to another because of local conditions affecting operating expenses, but nevertheless they feel that through this diversity of costs there should run a uniformity of method in arriving at the principles under which they are applied to a customer's account.

"To this end the Commission has directed its efforts toward working out an account analysis plan which could be applied by all banks in determining their costs and charges."

The plan is preceded by a preamble in which is outlined the principles underlying checking account analysis. It discusses earnings assets, ledger balance, float, collected balance, reserve, balance available for investment, costs, and other basic factors. Then follows the uniform analysis plan, excerpts from which are printed herewith:

SUCCESSFUL MERCHANDISING

"ALL account analysis systems and service charge schedules should, of course, be based upon accurately determined costs. The merchandising plan should state selling prices.

"Translating cost data into a successful and profitable merchandising plan requires more than a technical knowledge of calculating costs. Here salesmanship enters; the customer's viewpoint must be given primary consideration, nevertheless costs must not only be recovered, but a fair margin of profit all around must be assured by the merchandising plan adopted. It follows that the greater percentage of profit will be added to salable items, with little or no 'mark up' in others, and some even not charged for at all, their cost being 'loaded' into the 'price tag' attached to certain items which appear to the customer to possess greater desirability or value.

"An analogy would be the gasoline service station, which 'sells' gas and oil, but 'gives away' water for the radiator, air for the tires, and windshield cleaning. Does anybody doubt that the prices charged for gasoline and oil include enough margin to cover the cost of the 'free' services performed?

"Bankers who become obsessed with the idea that every service item must bear its separate price tag should reflect what their own reactions would be if the concerns with which they do business were to adopt a comparable merchandising policy. Price policies should eliminate irritations, not create them; reduce sales resistance, not increase it.

"The suggested plan of account analysis that follows aims at these objectives. It is intended to be applied to all accounts, regardless of balance or activity. Every account should be analyzed individually, and charges, where occurring, should be assessed monthly, without exception or discrimination.

THE PLAN

"THE average daily ledger balance is first determined, from which the average daily float is deducted, resulting in the figure for the net collected balance. Upon this net collected balance a net earnings allowance or credit (expressed as a per annum percentage) is calculated in the following manner:

"From the gross asset earnings rate of the bank are deducted the percentages determined for: Desired profit related to the collected balance; conversion costs; custody of funds costs.

"A further reduction to compensate for the total of nonearning cash reserves carried.

"This method reduces to one, the several operations otherwise necessary at this point in analyzing an account, thus saving a tremendous amount of clerical work in the analyses of hundreds or thousands of accounts each month. It is realized that the net earning rate finally determined may be so low as to surprise the banker, often, quite as much as his customer. But we are dealing with realities, and it may be well to let bank customers realize how little net earning power bank balances actually possess. Where float exceeds ledger balance a charge instead of a credit is made at the loan interest rate, to be added to item charges.

"Having calculated the customer's analysis credit for the net earning power of his balance, the next step is to calculate charges for services rendered, as follows:

"Since all of the above charges are 'selling prices,' if the total of them exceeds the net earnings credit, the difference becomes the service charge, in which profit factors for the bank already are present.

"Maintenance and item costs vary but little over a period of time. The percentages for asset earnings, both gross and net, however, fluctuate materially with time, because of changing interest rate levels and the varying amounts carried in total cash reserves.

"A majority of the committee [which prepared the report] believes that no analysis charge should be made against the depositor for 'on us' checks deposited, since the non-customer can present them for cash and receive par payment. In other words, all charges for 'on us' checks should be assessed against the makers regardless of how the items are presented for payment. However, it is deemed advisable to give ex-

(CONTINUED ON PAGE 72)

NG

General Session Speakers Named

Seattle Convention Plans Go Forward

Speakers at the general sessions of the American Bankers Association Seattle Convention, Sept. 25–28, have been announced by President Benson together with other plans for the meetings.

Pat Harrison, Mississippi Senator, is to discuss Federal fiscal policies at one session.

Dr. Bruce R. Baxter, president of Willamette University, Salem, Oregon, talks on "Courage for Tomorrow." H. Donald Campbell, president, Chase National Bank, New York, will discuss "The Future of the Metropolitan Bank", and E. L. Pearce, executive vice-president, Union National Bank, Marquette, Mich., will view "The Future of the Country Bank."

Messrs. Harrison and Campbell are to speak at the morning session, Sept. 27, and Messrs. Pearce and Baxter the next morning.

An innovation in convention procedure this year is to be a round table discussion on two afternoons, each ,led by well known banking personalities. There is also to be a day devoted to entertainment, the bankers and their wives taking a boat trip to Victoria, B. C., Sept. 26.

The usual meetings of the Association's four divisions, as well as meetings of the commissions, committees and sections, will be held. Programs for these and for the round table sessions are now being compiled.

A constructive customer relations clinic will be held on the evening of Sept. 27. Mr. Benson presides at all general sessions.

A.I.B. 1940 Convention To Be in Boston

The 1940 convention of the American Institute of Banking will be held in Boston, June 3 to 7.





Lewis E. Pierson (left), honorary chairman, Irving Trust Co., New York, is chairman of The Graduate School's board of regents. Dr. Harold Stonier, right, is director

General Pension Plan Studied

The appointment of a special committee to make further study and report to the Seattle Convention as to a pension plan which might be made available to bank officers and employees of all states has been announced by Philip A. Benson, President of the American Bankers Association and president of The Dime Savings Bank of Brooklyn.

The committee is headed by Norman T. Hayes, vice-president of the Philadelphia National Bank of Philadelphia. Other members are Frank G. Addison, Jr., president of the Security Savings and Commercial Bank of Washington, D. C., and Millard F. Jones, executive vice-president of The Planters National Bank and Trust Company of Rocky Mount, North Carolina.

Mr. Benson stated that the appointment came as a result of action taken by the Administrative Committee of the Association at the 1939 Spring Meeting of the Executive Council, and was motivated in part by the resolution adopted by the State Secretaries Section at the Houston Convention last November, This stated:

"Whereas, it is our belief that the organization of pension systems by each state association represents uneconomical and unnecessary waste and duplication, therefore be it resolved that the President of the American Bankers Association appoint a committee to study a practical, feasible pension plan which might be made available to bank officers and employees of all states where such systems have not already been organized and report at the Executive Council meeting of the A.B.A. next Spring.'

Following adoption of the resolution, Edgar Mountjoy, Deputy Manager of the American Bankers Association, made a study of many pension plans outside of banking as well as within, including those of the six state associations which have sponsored such systems for their members: Illinois, Minnesota, New Jersey, New York, Oregon and Washington. Mr. Mountjoy, reporting to the Administrative Committee, stated that still other states had made or were making studies, or were holding plans in abevance awaiting action by the A.B.A.

School Savings Forum Proceedings Ready

The proceedings of the Third Annual School Savings Forum, held on March 10 in New York City, are now available and copies may be procured for 25 cents from the Savings Division, American Bankers Association, at 22 East 40th Street, New York City.

North Dakota Again Gets Top Rating

For the eighth consecutive year North Dakota has earned a 1,000 point efficiency rating from the Agricultural Commission of the American Bankers Association for effective banker-farmer contacts. F. A. Irish is chairman of the agricultural committee of the North Dakota Bankers Association.

649 Bankers at Graduate School

5th Resident Session Fills Busy Fortnight

With a record registration of 649 bank officers, The Graduate School of Banking conducted by the American Bankers Association at Rutgers University concluded a particularly successful fifth resident session with commencement exercises for the 172 members of the Class of 1939.

In addition to the men who were completing their course, this year's enrollment included 227 bankers attending the



Registrar "Dick" Hill

school for the first time and 250 second year students.

Twenty-one bank presidents and 76 vice-presidents were among the officers who came to Rutgers for the 1939 resident session. Also registered were 35 assistant vice-presidents, 56 cashiers, 15 treasurers, 10 secretaries, 20 trust officers, 9 comptrollers, 17 bank examiners, 79 assistant secretaries and treasurers, 25 departmentheads and 17 auditors.

In addition to classroom work under a faculty of university professors, bankers, specialists, and government officials, the students heard evening lectures by Col. Leonard P. Ayres, vice-president, Cleveland Trust Co.; Dr. Everett Dean Martin of Claremont Colleges, Cal.; and Dr. Paul F. Cadman, president, American Research Foundation, San Francisco.

Opening on June 19 the session provided two weeks of intensive study at Rutgers. Commencement was June 30.

Broaden your service to customers with Chase correspondent facilities

THE CHASE NATIONAL BANK

OF THE CITY OF NEW YORK

Member Federal Deposit Insurance Corporation

ol

on (ht

ted cers Iniicu-

lent ent Firs

who rse, ded

the

ents vere e to lent e 35 56 secs, 9 min-

com unispeoffieve-

eveerett

nont

neri-San

gers.

ING

1,500 Bankers Attend Institute's Big Convention at Grand Rapids



NEW OFFICERS

Left to right, President Harry R. Smith; Vice-president J. LeRoy Dart; Executive Councilmen Edward F. Matthews, Jack H. Gormley, Elmer W. Pollock, and Garnett Carter

Florida 100% In Membership

Florida is now added to the states in which all banks are A.B.A. members. This result was achieved through the efforts of George E. Lewis, state vice-president for Florida, and W. W. McEachern, state vice-president elect.

Other states having 100 per cent membership records are Arizona, Idaho, New Mexico, Oregon, Utah, Wyoming and the District of Columbia. Nevada and Rhode Island are close to the top, each state having one bank which is not yet a member of the American Bankers Association.

Kent Represents A.B.A. At I.C.C. Convention

Fred I. Kent, director, Bankers Trust Company, New York, was chairman of a delegation representing the American Bankers Association at the International Chamber of Commerce meeting at Copenhagen, June 26-July 1.

W. L. Hemingway, president, Mercantile-Commerce Bank and Trust Company, St. Louis, was vice-chairman. Other members included Eric A. Johnston, director, Seattle-First National Bank, and Fred I. Kent, 2nd, Scarsdale (N. Y.) National Bank and Trust Company.

Commission's Check Analysis Plan Hailed

The uniform plan for checking account analysis, outlined on page 49, was prepared by a committee whose members are well known for their experience in dealing realistically with bank management problems.

The committee, appointed by H. H. Griswold, chairman of the Bank Management Commission, American Bankers Association, comprised:

Robert H. Myers, vicepresident, Merchants National Bank, Muncie, Indiana, chairman; Lyall Barnhart, comptroller, First National Bank and Trust Company, Okla. City; G. Fred Berger, treasurer, Norristown-Penn Trust Company, Norristown, Pa.; Harry W. Proctor, cost analysis counsel, Ohio Bankers Association; H. N. Stronck, Cleveland Trust Company; Benjamin E. Young, vice-president, National Bank of Detroit.

John J. Driscoll and Ernest S. Woolley were technical consultants, and they contributed a preamble to the study outlining the principles underlying the analysis of checking accounts by banks.

The A.B.A. Research Council, in publishing the study, says it "reduces to a sound, scientific, uniform method the application of known costs to the analysis of checking accounts as a basis for determining adequate and fair service charges." Also, and equally

Auditors-Comptrollers Convention

The 15th annual convention of the National Association of Bank Auditors and Comptrollers will be held in Seattle, Sept. 28–30.

important, "the general application of this plan should serve as a greatly needed factor of public relations for banks by fostering greater uniformity in account analysis and service charge procedure, not only as among a bank's own customers but as among different banks."

"Many bankers," observes the Council, "have been conscious of doubt and even distrust among their customers and others as to the fairness and scientific soundness of their business methods largely because of inconsistent checking account practices."

The introduction, signed by Mr. Griswold and Frank W. Simmonds, Senior Deputy Manager, A.B.A., and committee secretary, says the Commission hopes banks will adopt the principles set forth in the study.

E. H. Sensenich Dead

Edgar H. Sensenich, vicepresident, United States National Bank, Portland, Ore., died June 11. He had long been prominent in banking affairs.

Smith Elected To Presidency

Here are some of the highspots of the American Institute of Banking's 37th annual convention, held at Grand Rapids, June 5–9, with an attendance of nearly 1,500.

Harry R. Smith, assistant vice-president, Bank of Amer ica, N.T. & S.A., San Francisco, elected President.

J. L. Dart, Vice-president, Florida National Bank, Jacksonville, elected vice-president.

First award of \$500 in the national oratorical contest for the A. P. Giannini Educational Endowment Prizes went to Miss Doris G. Parry, First Citizens Bank & Trust Com-



Miss Parry

pany, Utica, N. Y., the first woman to take first place since 1935; second award, \$300, to Roland T. Carr, Riggs National Bank, Washington, D. C.; third, \$200, Alex Lindholm, Fulton National Bank, Atlanta; fourth, \$100, Thomas W. Utterback, City National Bank & Trust Company, Oklahoma City. The contest subject was "The Bank's Place in Meeting Today's Credit Needs."

Essex County (N. J.) Chapter won the national debate, upholding the negative side of the question "Resolved, that the Federal Government should own and operate all railroads engaged in interstate traffic." Houston had the affirmative.

Elected to the executive council: Jack H. Gormley, Seattle-First National Bank, Seattle; Edward F. Matthews, First National Bank, Philadelphia; Elmer W. Pollock, cashier, First National Bank and Trust Company, Tulsa, Okla.; and Garnett Carter of the Fulton National Bank, Atlanta.

FIRST NATIONAL BANK TOTAL SEAMOUNT CHOSE MG. DATE CASSISS NATIONAL TRUST CO. RESERVE CASCUS WILLIAM BROWN UNITED TELEPHONE AND TELEGRAPH CO. .10 68 JOHN W. DOE WUNICIPAL GAS AND LIGHT CO. 3.80 .10 69 080 41938 JAMES A. SMITH A. B. C. MANUFACTURING CO. 51.60 .20 34 COLLECTOR OF INTERNAL REVENUE P. C. JAXON 16.40 OURSELVES (CURRENCY) FEDERAL RESERVE BANK 5000.00 65 DEC 21939 CONCRETE CONSTRUCTION CO. CITY TREASURER 1000.00 79 RICHARD L. ROE SECRETARY OF STATE .10 70 12.00 JOHN C. GREENE CHARLES W. HIDGINS CO. 185.91 .60 25 OURSELVES (COLLECTION) MARKET CITY NATIONAL BANK 212.80 45 GUARANTY NATIONAL BANK - SPRINGFIELD 80.30 35 FIRST NATIONAL BANK - ANDOVER 100.00 36 FREDERICK W. POPE MARY L. POPE 125.00 -40 26 MUNICIPAL GAS AND LIGHT CO. 6.30 .10 71 000 5890 AMERICAN MERCHANDISING CORP. 491.20 80 66 BEC 1909 OURSELVES (CLEARINGS) FEDERAL RESERVE BANK 5118,38 C. L. RICHARDSON UNITED TELEPHONE AND TELEGRAPH CO. 7.85 .10 72 12417.45 120 FIRST NATIONAL BANK 8911 STREET BECT NO. 16- No. 1972 \$7.A5

Check and sheet register are written in one speedy operation. Unit registers also may be used, with equal facility

5118.38

3104 10118

1968

5.91

3.80

12.00

6.30

35 45

1234

51.60

80.30

100.00

185.91

MINCEL-LANEOUS Descrip-

212.80 N.Y.

56773

16.40

1000.00

491.20

A faster, more accurate method of writing Drafts, Checks, Check Register



This special Burroughs Electric Carriage Form-Writing Machine is equipped with a bill chute for front insertion of checks or drafts. This provides speedier production while not affecting the machine's adaptability to other types of work.

The auxiliary feed roll bail opens automatically from the carriage return, allowing instantaneous changing of forms. Closing of the bail is cushioned to prevent carbon smudging. A check magazine, placed directly above the point of insertion. facilitates paper handling.

The Burroughs Electric Carriage virtually eliminates hand travel during the typing operation. With front insertion, hand motions between typing operations are likewise reduced to the minimum.

Unit registers or sheet register may be used with equal facility.

Ask for a demonstration, with no obligation.

Burroughs Adding Machine Company 6237 SECOND AVE.—DETROIT, MICHIGAN

ids

lcv

high-

nsti-

Inual

rand

an

stant

mer

ran-

dent,

acklent.

the t for

onal

t to

First om-

first

ince

to

Na-C.;

olm,

Atmas

onal

kla-

sube in

ds."

au.

up-of

hat

uld ads

ic." e.

un: tletle: irst

nia: ier. ust and ton

NG

For Coast in Fall

Plans are actively under way for the 17th Regional Trust Conference of the Pacific Coast and Rocky Mountain States, to be held in Los Angeles, Sept. 19-20, under auspices of the Trust Division, American Bankers Association, it is announced by Samuel C. Waugh, Division President and executive vicepresident and trust officer. First Trust Company, Lincoln,

This conference immediately precedes the annual A.B.A. Convention in Seattle, Sept. 25-28, and will enable trust men from other sections to attend the Los Angeles meeting enroute to Seattle. The Southern California Trust Officers Association will act as host.

L. H. Roseberry, vice-president of the Security-First National Bank of Los Angeles, who is a member of the Trust Division executive committee. is general chairman of the conference. Chairmen of the conference committees are:

Program, B. W. Utter, vicepresident, Title Guarantee and Trust Company, Los Angeles; finance, W. D. Baker, trust officer. The Farmers and Merchants National Bank, Los Angeles; entertainment, Harry M. Bardt, vice-president, Bank of America N. T. &. S. A., Los Angeles: hotel and registration, Roger M. Bone, trust officer, First Trust and Savings Bank, Pasadena; publicity, G. W. Davis, vice-president and trust officer, The Beverly Hills Na-tional Bank and Trust Company, Beverly Hills.

Plan Trust Meeting | Questionnaire on Insurance Programs Brings Replies From Smaller Banks

The January 1939 issue of the Association's Protective Bulletin featured an article which presented comprehensive and illuminating data on losses resulting from defalcations of employees in commercial banks and trust companies having deposits of \$5 million or less. A schedule of suggested amounts of blanket bond coverage was included to give banks of different sizes in this group a gauge or indicator as to a reasonable amount of fidelity insurance to carry. Based upon the response of member banks, this schedule may be characterized as "the answer to the bankers' prayer" for such a yardstick.

Banks having deposits in

excess of \$5 million present a different problem chiefly because of a greater variety of operations and exposure hazards. Wide swings in both the amounts and breadth of insurance have been noted in the coverages carried by these larger banks. Accordingly, the Insurance Committee mailed a questionnaire to the 968 banks in this group to ascertain the details of their insurance programs and give them the benefits of analysis and comparison.

Already 822 replies have been received, showing an 85 per cent response, and in the near future the results of this survey will be summarized for the guidance of reporting banks.

Dr. Stonier Speaker at Babson Commencement

Dr. Harold Stonier, Executive Manager of the American Bankers Association, was guest speaker at the commencement exercises of Babson Institute. Wellesley Hills, Mass., on June 10. It was the Institute's 20th commencement.

Missouri Bank Tables Published for 3rd Year

The Missouri Bankers Association has compiled principal assets, liabilities, earnings, expenses and operating ratios of all banks in the state for the year ending Dec. 31, 1938. This is the third successive compilation of the figures.

Mortgage Money Is Plentiful, Says Report From 262 Cities

The 33rd semi-annual survey of the realty market, made by the National Association of Real Estate Boards, reports that "plentiful mortgage money supply is a common story."

In 82 per cent of the 262 cities reporting capital is seeking loans; in the north central, Great Lakes and south central sections there are excesses of capital.

Falling interest rates are shown in 42 per cent of the cities and rising rates in only 2 per cent.

An increasing number of cities show 5 per cent as the commonest mortage rate.

Congress Passes Repayment Bill

Congress completed enactment of the combination bill extending until June 16, 1944. the time for extension or renewal of loans of officers or executive in Federal Reserve member hanks.

President Roosevelt signed the measure on June 20, thus making it law.

A "rider" to the bill repealed the paragraph in the Banking Act of 1935 requiring state banks with deposits of \$1,000 .-000 or more in 1941 or thereafter, to join the Reserve System in order to be insured by the Federal Deposit Insurance Corporation.

Seek Public Views On Trust Services

A national public opinion survey about trust services is to be made for the Trust Division of the American Bankers Association

The purpose is to determine what the public thinks, knows and does not know about trust service, and to ascertain whether trust institutions have need of a broad educational program.

Each participating institution will submit a few questions it would like to have interviewers ask people in various sections about trust service.

The survey, to be conducted by the Elmer Roper organization, will be confined to the upper and middle income groups of the public.

CONVENTIONS

American Bankers Association

Sept. 19-20 17th Regional Trust Conference of the Pacific Coast and Rocky Mountain States, Los Angeles, California Sept. 25-28 Annual Convention, Olympic Hotel, Seattle, Washington Oct. 26-27 Tenth Mid-Continent Trust Conference, Chicago,

State Associations

North Carolina Bankers Conference, University of July 10-14 North Carolina, Chapel Hill Kentucky Bankers Conference, Lexington July 18-20 Aug. 7-11 Arkansas Bankers Seminar, University of Arkansas, Tennessee Bankers Conference, University of Ten-Aug. 14 nessee, Knoxville

Other Organizations

Aug. 21-Pacific Northwest Banking School, University of Sept. 1 Aug. 28–31 Washington, Seattle, Washington 6th Annual Metal Mining Convention and Exposi-tion of the American Mining Congress, Salt Lake City, Utah Sept. 11-14 Financial Advertisers Association, Toronto, Canada Sept. 20-22 National Association of Supervisors of State Banks, Salt Lake City, Utah Sept. 28-30 National Association of Bank Auditors and Comptrollers, Seattle, Washington Association of Bank Women, Seattle, Washington Morris Plan Bankers Association, Westchester Country Club, Rye, N. Y. Sept. 25-28 Oct. 9-11 Oct. 9-13 Investment Bankers Association, Del Monte, Cali-

fornia Oct. 23-28 National Association of Real Estate Boards, Los

Angeles, California Oct. 25-27 Savings Banks Association of the State of New York, The Homestead, Hot Springs, Virginia



es ill

actbill 944,

re-

or

erve

ned

hus

iled

ing

ale

DU_rerebysby

ion s is Dinkine ows out

ive

nal

tu-

ons

ег-

us

ted

za-

ıp-

ips

G

Some New Books

British Experience

ASTUDY of another democracy's 30-year experience with minimum wage legislation is offered in Dorothy Sells' British Wages Boards (Brookings Institution, Washington, D. C., \$3). Although there is no suggestion that we should import the British system, the United States, says the author, "can learn much from Great Britain, especially on the administrative side", and it is this that is emphasized in the book.

A World Bank

Design for Recovery by Donald Mitchell Marvin and Gertrude Marvin Williams (Harper, New York, \$2) combines plans for increased production and for creation of a world bank which would have headquarters in New York or Chicago. The functions of this institution would correspond to those of a central bank. It would accept deposits and make loans, have central bankers as its customers, serve as a world clearinghouse for central banks, and regulate the international movements of credit.

Two Books about Accounting

A sharply critical analysis of modern accounting theory and practice is Truth in Accounting by Kenneth MacNeal, C.P.A. (University of Pennsylvania Press, Philadelphia, \$3.50). The publishers assert that the book "goes to the very heart of one of the most perplexing problems in modern business-how, for the protection of stockholders, management, and the public, can financial statements be made to reflect truthfully and accurately the status and earnings of a business?" Mr. MacNeal believes in broader education for accountants; he also believes that accounting has many serious imperfections and he suggests revision of principles he regards as unsound. Accountants, he says, "should learn to be valuers or should employ valuers. Only a mastery of the appraiser's comparatively simple technique stands between accountants and a brilliant future of unparalleled service to business and to the public."

Another new book on accountancy is Accounting Concepts of Profit, by Stephen Gilman (Ronald Press, New York, \$5). Mr. Gilman, C.P.A., is vice-president and educational director, International Accountants Society, Inc. He justifies his work in events of the past few years which have seen accounting emphasis shift "from the balance sheet to the profit and loss viewpoint", and he presents "the more important conventions, doctrines and rules which influence the determination of accounting profits." Several chapters are devoted to net profit problems that are connected with inventories and fixed assets.

From South Africa

The deputy governor of the South African Reserve Bank, M. H. De Kock, is the author of Central Banking (P. S. King & Son, London, 15s), a survey of this field from the theoretical and practical points of view. Dr. De Kock details the important functions and powers of a central bank, paying particular attention to central banking conditions and methods and to "the disturbing and complicating factors of a psychological and technical nature." He believes it important that "more attention be given to the difficulties and limitations of central banking in the light of practical experience."

Foreign Trade

Processes and problems of international commerce are discussed by Professor Ethel B. Dietrich of Mount Holyoke College in World Trade (Henry Holt, New York, \$2.75). She describes objectively the techniques and controls adopted by governments in their attempts to direct economic destiny. In considering national commercial policies, the author discusses protection by tariff, import quotas and foreign exchange control; also, foreign trade promotion. Taking up international policies, she covers commercial treaties, regional pacts, activities of international groups, colonial trade, and agreements on raw materials and commodities.

Money

Michael A. Heilperin's International Monetary Economics (Longmans, Green, New York, \$4.20) considers the structure of international monetary relations, gold and its functions, international payments, exchange rates, currency systems, theories of foreign exchange, monetary problems and other aspects that are of interest to the student. Dr. Heilperin finds it most important that there be no return to fixed parities or to an international standard "before enough economic and financial cooperation has been achieved between currencies." Gold, he thinks, is most likely to be standard internationally, but he advocates the gold-clearing method of administering the gold standard.

Wall Street, 1939

The New Wall Street by Rudolph L. Weissman (Harper, New York, \$3) describes America's leading capital market as it functions today. After a chapter on the Street's personnel—Exchange members, salesmen, security analysts, clerical workers—Mr. Weissman discusses the S.E.C. and its work, Stock Exchange reforms, speculation and markets under current conditions, and new financing with its many problems.

Odd-Lot Trading on the New York Stock Exchange by Charles O. Hardy (Brookings Institution, \$1.50) comprises the results of an investigation of the structure and functioning of the subsidiary share market on the New York Stock Exchange. Mr. Hardy explains the buying and selling of odd lots, considers the relationship between this business and price movements, takes up questions of public policy (including the practice of "withholding", or the lag in the adjustment of dealer round lot volume to public odd lot transactions), compares the present system of doing business with some alternative ways, and discusses possibilities of improvement within the present setup.

Briefer Mention

An unusual reference book is Coins of the Modern World (Chemical Publishing Company, New York, \$3), by M. Comencini. It describes and classifies every coin in every currency issued between 1870 and 1936 and is designed not only for numismatists but all who deal with foreign exchange. There are many illustrations.

Elmer Wheeler in Tested Public Speaking (Prentice-Hall, \$2) and James T. Mangan in The Knack of Selling Yourself (Dartnell Corp., Chicago, \$2.50) offer, in the popular manner, practical peppy pointers in personality development and the technique of making the most of one's self.

pi Y C st

b b a a v lin t t a a (

The Legal Answer Page

Checks-Fictitious Payee

5). ed

is-

X-

up

re-

ial

ics

re

er

rin

ed

gh

e-

be

ng

er,

as

nel

cal

rk,

der

b-

by

508

on-

ock

odd

ınd

in-

adns-

ith im-

orld

not

ex-

Iall,

rself

an-

and

ING

N several occasions it has been pointed out in these columns that the American Bankers Association Fictitious Payee Act is of immeasurable value as a protection to banks. This was recently confirmed in a New York Court of Appeals case. [Swift & Co. v. Bankers Trust Co., etc.] The odd quirk was that a bank in New York, which state does not have the recommended statute, profited by Illinois' enactment of the measure.

The facts of the case are a repetition of a common occurence. In the May issue of Banking a duplicate situation can be found. In the present case, a trusted clerk had the duty of approving vouchers or requests for checks. The employer, an Illinois corporation, would issue checks in accordance with such approval. The clerk altered some used vouchers by inserting a name assumed by him and procured in payment thereof checks drawn on a New York bank. He indorsed these checks in the name of the payee and deposited them in a deposit account, owned in his assumed name, in a bank in Chicago and collected the proceeds.

The court held that the law of Illinois, the place of execution of the instrument, controlled. Illinois had adopted the American Bankers Association's recommended act so that its statutes provide that an instrument is payable to bearer "when it is payable to the order of a fictitious or non-existent or living person not intended to have any interest in it, and such fact was known to the person making it so payable, or known to his employee or other agent who supplies the name of such 'payee." Under this act, the checks in question were payable to bearer and the New York bank had properly paid out on them.

Automobile Financing

In their search for new outlets through which to put their funds to work, banks in increasing numbers are turning to the financing of consumer purchases of automobiles. This type of loan is expensive to service and ways and means are sought whereby recompense can be had for these costs. The mail received on this subject prompts the publication of a few comments on the charges reported. No discussion will be given the question of whether or not instalment repayments can be required, for this is governed by state law. In the absence of permissive legislation, it is generally true that amortization cannot be required on loans bearing the highest contract rate on the face amount.

Charges for procuring insurance on property pledged or mortgaged to secure the loan are not usurious if they are not a cloak to gain additional interest. Therefore, it is believed that the cost of fire, theft and collision insurance on the borrower's car can be charged to him.

There is much doubt as to the right of a bank to collect charges with which to set up a reserve account for collection costs, repossession charges, legal fees, etc. It is true that

many courts uphold provisions in notes that the borrower, in case the debt is not paid at maturity, shall bear the cost of collecting it by legal process, including a reasonable attorney's fee for the lender's attorney. However, these cases rest on the general principle that charges, although they may make the interest exceed the legal rate, are not usurious if they are payable only on a contingency under the debtor's control.

This is not the case with the charge in question, for it is collected at the outset of the loan from every borrower.

Taxation—Charge-Offs

IT may happen that the reader, as did one inquirer, will be called upon to take business property in payment of a debt. You will then be interested in your rights to claim a deduction for any loss suffered on resale.

In the case presented the bank upon taking over the property entered it upon its books at the face value of the debt. It was not possible to sell the property as an industrial unit—the machinery and equipment were sold piece by piece; the buildings were sold to a wrecker and removed from the property; only the vacant lots remained. The valuation given these lots on the bank's books was the balance unrecovered on the original debt. The bank examiner ordered a charge-off.

The question is how may this charge-off be utilized to reduce the amount due on taxes.

The charge-off cannot be claimed as a deduction for bad debts in the bank's income tax report. The debtor-creditor relationship between the former owner of the property and the bank has ceased to exist. The property was received in payment of the debt; the debtor was released from further liability and his indebtedness cancelled on the books of the bank.

The property thereafter was carried on the bank's books as an investment and not as collateral security for a debt. The transaction, therefore, assumed the form of a purchase or exchange.

For tax purposes, the sale of this property or any part thereof should be treated as though it had been purchased in the open market for cash. Deductions of losses sustained would then be governed by the provisions of the Revenue Act relative to losses on sales and not by the bad debt provisions.

The cost of the property, which in this instance was the amount of the original indebtedness, should be apportioned between the land, building and equipment and the loss sustained upon the sale of each taken as a deduction in the year when the sale was made.

Thus, the amount charged off under instructions of the bank examiner would not be a permissible deduction unless it was the amount of the loss sustained on the sale of the buildings and equipment.

METHODS and **IDEAS**

This department of BANKING is conducted by our Methods and Ideas reporter, John J. McCann

Suggestion System

Constructive criticism and sugcestions from employees open the way for improvement and profit in any organization. However, much depends upon the system of encouragement. An effective plan which invites some study, has been in force for some time at the Continental Illinois National Bank and Trust Company, Chicago. To date it has brought about 1,341 suggestions of which 378 were adopted. On 220 of these cash awards have been paid.

Realizing that for one reason or another most employees prefer to remain anonymous until their suggestions are duly weighed for merit, the bank issues special suggestion forms serially numbered with detachable stubs. These are available at the central "suggestion box" erected at the entrance of the main dining hall, at each division manager's office and the information desk in the personnel division. At frequent intervals, contents of the box are removed by the "suggestion committee," analyzed and later discussed with persons who made them. Communication from the committee to the anonymous contributor is effected through notices on the bulletin board in employee quarters.

Suggestions of merit are filed with the employee's record and are reviewed in connection with salary increases and promotions. In some cases cash awards of \$5, \$10 and larger sums are made. No limit is placed on the number

or scope of suggestions. Employees may submit their ideas direct to division managers, if they prefer, and these are handled in the same manner by the suggestion committee. Suggestions not submitted on the regular forms are accepted as presumably not intended for cash awards, but are discussed by the employee and division manager affected, and their adoption is credited to employees' records.

Home Booklet

THERE'S SOME GENUINE down-toearth human interest wrapped up in California Bank's booklet "There's No Place Like Home". It sets about its selling job with entertaining anecdotes, pictures of homes and floor plans and discussion of bank loans. All three are extremely well handled. Each second page opens a short story which emphasizes some well chosen points on home ownership. The tempo of the stories, like the whole physical appearance of the booklet itself, is lively and smart. Clever sketches and titles invite readership from cover to cover. Along the bottom of each page are attractive homes and floor plans. In the rear is a point-by-point outline of the bank's home loan service. This booklet was widely distributed at the bank's booth at Southern California's recent home show

Ad Checks

THE CITIZENS NATIONAL BANK (Freeport, New York) joins the growing list of community-minded institutions turning the circulation value of checks to a useful purpose. In place of the usual guide rules for check fill-ins, copy is printed in small type boosting the



BUILDING

The California Bank's booklet described at the left

desirable features of Freeport as an ideal home location. Fine churches, excellent schools, beautiful homes, good shops, modern theatres, congenial merchants, the Summer sports of nearby Jones Beach State Park are among the points stressed. This novel treatment adds rather than detracts from the appearance of the check. Popular acceptance also suggests that the public is by no means conventional-minded with respect to bank forms, and gladly welcomes the opportunity to help boost the home-town.

Lively Notices

AT BEST, customers regard interest notices in the light of necessary evils. While they perform a functional part of efficient accounting, they contribute nothing to good-will. So to serve the errant customer his notice of payment due, and realizing his sensibilities in this direction, the Morris Plan Savings Bank (Jacksonville, Florida) prints attractive

COMMUNITY BOOSTING

Below, the check advertising Freeport's advantages



enclosures. Copy keeps as far away from the subject of money as possible. It refrains from the usual indirect dun so commonly used. And it doesn't blow the bank's horn on additional services available. In fact, it fulfills its mission by taking subjects far removed from banks and banking. Interesting newsbits provide themes, and occasionally the bank gets a political matter off its chest in breezy, human, readable style. Objective, of course, is not to distract the recipient from the matter of his due payment, but ostensibly gives him something pleasant to think about too.

Interest Reduction Notice

AS CONDITIONS NECESSITATE interest rate reduction, many banks seem stumped on how to notify depositors affected. The feeling seems to be that any reaction must be bad. Consequently, in following the theory of "the least said the better" many notices convey a take-it-or-leave-it impression. There is, however, another school which holds to the sound philosophy that the depositor has a right to know. These banks make the most of the situation in a public relations sense. What might otherwise result in ill-feeling is turned to sympathetic understanding by a simple, clear exposition of facts.

Utah State National Bank (Salt Lake City) supplies an excellent case example. Along with its formal notice of rate change to savings depositors, the bank issued a most explicit twopage letter outlining the reasons for the

NON-BANKING

bed

an

es.

bod

er-

by

the

ent the

lar

olic

led

dlv

ost

est

ils. art

ute-

he ent

his nk ive VG

Below, one of the "Lively Notices" (See page 58)

Horn-Blowing Accidents

HE local Traffic Department reports that fatal automobile accidents for the first four months of 1939 were double. those for the same period of 1938-fourteen deaths as against seven.

There were one hundred and fifty motor accidents, major and minor, during the month of April.

While no one would allege that the fourteen traffic deaths resulted from too much de-pendence on auto horns, it is not difficult to surmise that in one or more instances hasty drivers with airens wide open were demand-ing right of way at intersections.

Likewise, it is not difficult to imagine that ere horns forbidden in city streets, as they should be, motorists would approach crossings

MORRIS PLAN
FINANCING FOR
JACKSONVILLE

change. In effect, it told of the decline of investment opportunity caused by inactivity of commercial loans which forced idle funds into low yield bonds. It cites the case of Government issues and their current low yield, stating that it is a common practice of governments faced with an increasing deficit to influence interest rates downward to its own advantage in borrowing large

It builds a very reasonable case for interest reduction by reminding the depositor that, in line with conservative policy and safety of principal, this course has no alternative. It further bids for the customers' cooperation by

holding forth a proper adjustment when, as and if conditions return to normal.

In closing, the letter invites each depositor to a personal discussion of the matter whenever he pleases. If anything can win public and customer acceptance, certainly this open attitude

Sales Tact

BEGINNING LAST JANUARY, the State Planters-Bank and Trust Company of Richmond offered its entire staff 10 per cent commission on the discount of automobile loans produced on their own initiative. Here was a test for ingenuity

Investment Bonds

Our Bond Department buys for its own account and recommends for investment State, County and Municipal bonds.

It also maintains an active market in all issues of United States securities.

The experience of seventy-five years and immediate contact with principal cities makes this bond service particularly valuable to banks.

Inquiries by telephone, wire or mail are invited and quotation sheets will be mailed on request.

> Telephone FRAnklin 6800 Teletype CGO - - 987

The First National Bank of Chicago

and good salesmanship. Prize idea for stimulating inquiries was invented by young Henry Shelley, teller in the bank's Hopewell branch. Henry invested 10 cents in a toy car and parked it on his window ledge. First customer of the day asked: "What in the world are you doing with this thing?" And Henry spieled off some sales points on the bank plan of financing. The idea worked on practically every customer.

Since the first of the year employees have secured approximately \$20,000 in new loans. Commissions paid amount to about \$125; highest amount to any one employee was \$33.60. This plan has worked out quite profitably and the

commission incentive has given the public a good impression of the institution. For although loan prospects may be scarce, each patron approached could not help but feel the enthusiasm of the worker for his bank. Such relations are surely worth while.

Thriftichecks

THE GRANITE TRUST COMPANY of Quincy, Massachusetts, just recently added another trade-name to the payas-you-go type of checking services. This newcomer is called "Thriftichecks". Points of the plan emphasized in current newspaper and direct-mail

advertising are: individual account holder's name imprinted on each check without charge; checks available in convenient books of 20 at the rate of 71/2 cents per check, with no other service charges involved; spoiled checks replaced without cost; and the physical appearance of thriftichecks closely resembling regular bank checks. Account regulations set a 25-cent fee for the rendering of statements at any other time than the regular 90-day interval. Twenty-five cents is also charged for certification, and inactive accounts for a period of six months are taxed 50 cents for maintenance. No minimum balance is required and accounts may be opened with as little as \$1 initial deposit. The name "Thriftichecks" carries its own pointed sales-message.

Copy

PENNSYLVANIA

Claude E. Bennett, left, president, Tioga County Savings & Trust Company, Wellsboro, is the new president of the Pennsylvania Bankers Association. W. Elbridge Brown, right, vicepresident, Clearfield Trust Company, is vice-president



ONE OF THE EXPONENTS of the use of humor in advertising, Jackson-State National Bank (Jackson, Mississippi) contends that the combination of humorous illustration and serious message is hard to beat for attention value and effectiveness. It has done an exceptionally good job for safe deposit rentals and personal loans. The treatment is well worth study. Sprightly drawn pen and ink illustrations capture the eye. Catchy captions hold it, and copy drives home a sound selling message.

You Can't Gauge Honesty.

Modern precision instruments can accurately measure to within two millionths of an inch. But science has never fashioned any device capable of gauging human honesty.

A bank's best security against financial loss caused by dishonesty lies in the sound protection of a Standard fidelity bond.

Standard of Detroit, one of America's oldest and strongest casualty insurance and bonding companies, also insures against loss from burglary; robbery and holdup; forgery; automobile accident; and allied hazards. Call in a Standard agent.

STANDARD ACCIDENT INSURANCE COMPANY

Standard Service Satisfies . . . Since 1884

Upkeep Problem

int

eck on-

1/2

ice

re-

cal

re-

int

the

her

ral.

for

for

50

um

av

tial

IS "

ge.

of

ate

pi)

hu-

age

and

on-

tals

is

DET

ye.

ppy

ige.

REPORTS FROM DIFFERENT SECTIONS of the country indicate the extent of bank interest in meeting the problem of property upkeep—the problem which experts claim underlies most of the troubles in the present-day mortgage picture. While there are many approaches to the problem, none seems to hit it more squarely than the program adopted some time ago by the Lynn Five Cents Savings Bank (Lynn, Massachusetts).

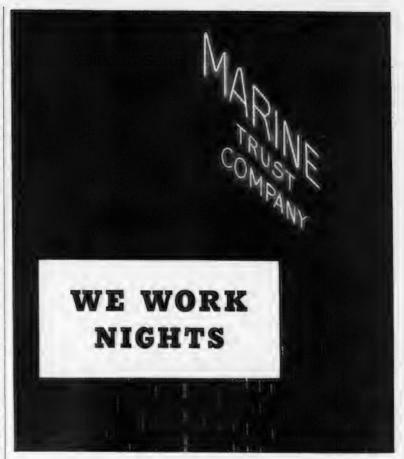
The bank employs a full-time appraiser who annually inspects every parcel upon which the bank holds a mortgage. Though it sounds costly for a small institution, results in this case certainly give evidence of value and profit. Within a short period more than 85 per cent of the bank's properties have been brought up to a set standard of repair, principally because borrowers have been gradually educated to the fact that minor inexpensive repairs avert property depreciation and later the necessity of large outlays.

The bank's appraiser keeps an accurate photo-record of each property. He is required to fill out a detailed sheet of repair points, on which he indicates the condition of each item as either good, fair, or poor; and in addition makes a general summary of each inspection.

These reports are turned over to the treasurer, and letters are sent to mortgagors requesting them to call at the bank. Arrangements are then made as promptly as possible to complete the necessary repairs. In cases where the mortgagor does not call at the bank after several mail requests, the appraiser obtains an interview on the premises.

In addition to improving the condition of collateral, the bank has started a good many borrowers on monthly plans of amortization, as well as regular quarterly reductions for some people who had formerly been unwilling or unable to reduce their principal.

The bank's board of investment also uses the inspection sheets as a guide in making the required revaluations every three years. In other ways the plan has proved an important timesaver. Commenting on results Crawford H. Stocker, treasurer, states: "We feel we have saved the salary and operating expenses of our inspector by the generally improved condition of our properties. A bank can readily expend for repairs and renovations far more than this sum if it is obliged to acquire properties that have been seriously neglected."



... TO GIVE YOU FASTER PRESENTATION OF CASH ITEMS THROUGHOUT NEW YORK STATE

THE Marine Trust Company's night transit service enables your bank to save up to 24 hours or more in presenting cash items throughout New York State. With very few exceptions, items reaching us prior to 1 A. M. will be presented the next business day in 58 New York State cities and towns.

This fast night transit service is possible because of the Marine Trust Company's many correspondent banks throughout the state, and its strategic location in the world's greatest market.

It will pay your bank to investigate the possibilities of this speedy service. Send for a copy of our latest Night Transit Schedule.

MARINE TRUST COMPANY OF BUFFALO

A Marine Midland Bank

MEMBER FEBERAL DEPOSIT INSURANCE CORPORATION

NG

History Brief

AN INTERESTING HISTORICAL BRIEF written by William M. Dorr, officer of the Citizens Union National Bank of Louisville and an A. I. B. graduate, is being distributed by the bank in pamphlet form. Entitled Our Servant, The Bank, Yours and Mine, the story outlines the absorbing history of banking in Kentucky from 1790 to date, emphasizing the great transition in customer and public contact which has taken place in this period. The concluding chapter summarizes the progress, stressing the fact that banks have raised confidence

to a new peak. This manuscript is well by writing to Mr. Dorr.

Consumer Credit Financing

FROM ALL ACCOUNTS June marked the inception of two separate movements which may in time change the whole complexion of consumer credit financing in the banking field. First, the New England Commercial Plan, Inc., opens a new road to methods and operations. Second, the Bankers Association for Consumer Credit projects all the varied benefits of a new trade association.

The New England Commercial Plan, worth reading. A copy may be obtained Inc., offers manufacturers of durable goods in that area a low cost uniform plan for the liquidation of term purchase money obligations through a group of 40 or more cooperating banks. Under the plan the manufacturer deals directly with only one member of the group, the bank most convenient to him. This bank provides a reporting service on customer credit, discounts the paper and credits the client at once with the proceeds, and assists in an advisory capacity whenever called upon. Then, through an interchange arrangement, the discounted paper is relayed to the member bank nearest the customer. which attends to subsequent collections.

Thus the manufacturer is assured that each transaction will be handled to completion by skilled bank officials, and that customer good-will will not be lost in mismanagement. Banks in the group provide thorough coverage of both population centers and remote areas from Bridgeport, Connecticut, to Bangor, Maine. Financing costs under the plan are no higher than customary rates. The service obviously offers many attractive benefits, not the least of which is broader sales markets. By offering customers a financing arrangement directly through his neighborhood bank, the manufacturer also gains a potent sales weapon, for convenience in financing is a well recognized factor in deferred credit sales.

A. I. Guffanti, vice-president of the Springfield National Bank, heads the corporation's 'central office at Springfield. Massachusetts.

The Bankers Association for Consumer Credit, organized by a group of bankers in Ohio, Pennsylvania, and New York, set about last month to extend the movement to national scope with its first annual convention staged in Conneaut Park, Pennsylvania. This movement promises to fill the longnoted need of a central bureau for banks engaged in personal loans and other types of consumer credit financing.

The present situation, as defined by the association, indicates a needless and expensive duplication with each bank trying to solve its own problems, and each blazing its own trail for profitable business and efficient management. The association intends to furnish guidance to members in establishing and maintaining constructive policies in short, to serve in every way possible as a trade association. It will take part in research work along lines now conducted by the Reserve City Bankers Association and the Russell Sage Foundation.



Promptness ... Accuracy

Continental Illinois service is prompt and accurate . . . 2800 correspondent banks facilitate the collection and transfer of funds.

Continental Illinois National Bank and Trust Company

OF CHICAGO

Member Federal Deposit Insurance Corporation

Growing Interstate Tariffs

T may be suspected that the chief effect of resolutions of the National Conference on Interstate Trade Barriers, which was held at Chicago under auspices of the Council of State Governments, will be to call public attention to the abuses which it seeks to correct.

an. ble rın ur-

а

ks.

als

the

to

ing

nts

at

an

on.

ge-

lto

ier,

ns.

hat

to

als,

be the

of

ote

to

der

arv

ers

ast

By

ge-

bod

s a

in

in

the

the

ng-

on-

of

ind

ex-

ope

ged

his

ng-

nks

her

by

ind

ink

ind

ble

ent.

ish

ing

cies

OS-

ake

low

nk-

age

NG

Back of each of the hundreds of discriminatory practices which have set up a veritable system of tariff walls between the states where absolute free trade has been established by the fathers of the Federal Constitution, will be found one or more pressure groups whose influence has been out of all proper proportion to the number of people or the importance of the interests involved.

TRUCK LICENSE FEES

IT was stated at the Chicago meeting that to carry on a five-ton truck business between Alabama and South Carolina involves license fees of \$1,100 per year. Nineteen states now charge full registration fees and other taxes on trucks passing through them, fees ranging from \$30 in Illinois to \$400 in Alabama. Nine states have established "ports of entry" for trucks at which each truck from another state is inspected for the payment of registration fees, special mileage and gasoline taxes, weight restrictions, insurance requirements and the like. Revenue for the state is probably the principal object in these cases but there are other objectives as well.

Restrictions on transportation are no more onerous than upon many of the products transported. Plant quarantine stations are located by states all over the country to hold up not only trucks but passenger cars as well, to prevent the transport of certain fruits and vegetables. Where dangerous plant diseases may be carried into disease-free territory such control is justified and can be expected, but in too many cases quarantine of this sort is used to shut out the products of other states in the interest of local producers. Twenty-three states have local taxes on oleomargarine of from 5 to 15 cents a pound. Sixteen states require licenses for the manufacture of margarine of from \$1 to \$1,000. Yet some of the states with the highest taxes of this sort exempt the manufacturers if the latter use local materials such as cotton seed oil. Alabama charges a license or fee of \$1,000 for a plant to manufacture alcoholic beverages, but if 75 per cent of the ma-

terial used comes from Alabama the actually control the sale of such goods license fee is only \$25. Other states set up standards for products which can be met only by producers within their own borders. Seven states, for example, define fresh eggs in such a way as to make it impossible for producers in other states to compete within their borders. Similar regulations as to meat products discriminate in many cases. The movement has extended to manufactured goods and while few if any states can

within their borders there is a growing movement to "Buy New York" or "Buy Chicago" to induce the consumers of a particular district to favor local products at the expense of those from other localities.

The proper remedy lies with the states which are causing the trouble. The alternative remedy is Federal action

GEORGE E. ANDERSON



Both Companies write Fidelity, Forgery and Surety Bonds and Casualty Insurance

What the Public Wants to Know

WHAT does the public want to know about banking?

Well, one good way to answer that question is to ask the public—the local public in Middletown, Yourtown, Anytown.

Of course the banker can't be expected to send a question game to everybody listed in the telephone book or city directory. But now and then a real opportunity comes for ferreting out people's pet peeves, prejudices and ideas on the subject of banking.

Such an opportunity came to Don H. Wageman, vice-president of the American National Bank, Cheyenne, Wyoming. The story is not so much in how Mr. Wageman used his opportunity (he did use it to good advantage) as in its evidence of what Anytowners don't know, want to know, and ought to know, about banking.

It seems that in Wyoming's capital there is the Cheyenne Forum. Its members are 40 business and professional men who meet every so often to hear

Such an opportunity came to Don H. each other talk on topics and work of the day. After the formal paper has an National Bank, Cheyenne, Wyoing. The story is not so much in how questions.

When Mr. Wageman's turn approached he announced that he was going to talk on banks and banking; members of the Forum could submit questions, and they could make them as embarrassing as they cared to. The idea was: If you're nursing a grudge against banking or if you don't understand something, this will be a chance to air your grievance and ask your question.

("I fully realized that I was laying myself wide open," the banker said later, "but that was exactly what I wanted to do.")

When the polls closed just before speaking time he found he had more than 40 questions to answer. Also he was facing the largest audience the Forum had ever had.

THE OUESTIONS

HE took up the questions, one by one. The first dozen or so went like this:

What is the future for a young man today in the banking business?

Do you think that banks contribute today under present conditions, regulations and restrictions, anywhere near as much to the growth and development of their communities as they formerly did?

Are the present Federal laws affecting banking equitable?

How will the Government make loans to the small businessman?

What classifications will this include?

Won't banks be able to do the same thing? Why is it the Government can pay more interest on savings accounts than the banks?

Why is it that banks will not accept post office baby bonds as collateral?

Why does the Government float loans to raise money, when it is obliged to take the tax from the same people that furnish the money for the loan, and adds to the machinery of the Government?

What should be taught in the schools about banks and banking?

Do other loan companies, such as our small loan companies, affect bank loans?

What are banks doing to combat the loan shark companies?

Why are loan sharks tolerated in every state in the Union with rates as high as 6 per cent per month?

And then there were these:

What training should prospective bankers

The small loan companies tell me their losses are 40 per cent per month. Could this be true; if so, how do they make their money? How do banks justify themselves in asking such a high rate of interest?

IS YEARS AGO NOW

How a Sound Basis for Loans Has Grown

15 years ago Field Warehousing was largely an undeveloped idea. 10 years ago 300 Field Warehouses were in operation. Today, thousands of Field Warehouses demonstrate the wide acceptance by bankers of this modern aid to financing.

Over 600 Industries Served!



Field Warehousing by Douglas — Guardian

Under the guidance of executives who have had over 16 years' successful experience in the field, we render a service whose rapid growth is its own best endorsement. It's important, when granting a loan based on Field Warehouse receipts, to work with a Field Warehousing company of unquestioned experience and reputation. Douglas-Guardian goes anywhere for business, so why experiment? It will be a pleasure to supply information, answer your questions with regard to any specific loan you have in mind, or supply FREE copy of our booklet "Financing the Modern Way."

DOUGLAS-GUARDIAN WAREHOUSE CORPORATION

Nation-Wide Field Warehousing Service. Regional Service Offices at: 100 W. Monroe St., Chicago 118 No. Front St., New Orleans, La.

New York, N. Y. Rochester, N. Y. Easton, Md. Tampe, Fle. Portland, Ore. Springfield, Mo. Dallas, Tex. San Francisco, Cal. Los Angeles, Cal. Memphis, Tenn. Cleveland, Ohio

Why will you not allow me but 1 per cent on a deposit of \$500 but will charge me 8 per cent if I want to borrow \$500?

Why the charge on accounts?

of

as

to

as

g:

iit

m

he

CER

7

Ce

ur

ng

id

T

re

he

he

30

ay

nd to

m-

k-

he

re

he

st

to he he

he

ut

all

an

et

ers

y?

ng

IG

Why are depositors' accounts taxed so heavily for handling charges now, when this service formerly was free?

If this minimum requirement (deposit balance) were lowered, wouldn't it afford an opportunity for the bankers to become acquainted with a class of people who would be likely to borrow from the bank rather than from loan companies?

Who pays the deposit insurance?

What takes the place of the income banks originally derived from loans to industry and loans now made through Federal agencies?

Enumerate the taxes levied on a banking

Is there any duplication in this system of taxes?

What is a good risk?

What is the minimum requirement demanded by banks today before a business loan will be made?

What security do I need to borrow \$200 and what is the rate of interest?

Why do banks not loan money on the same basis that the F.H.A. does? Of course they lend money, but why not without the Government guarantee? Why do banks lend money at 1½ per cent

Why do banks lend money at 1½ per cent or less to the Federal Intermediate Credit banks which are indirect competitors through P.C.A. livestock loans at 4½ per cent?

At the conclusion of his allotted time, Mr. Wageman hadn't come to the end of his list of questions.

"Keep going!" said the audience. He did, for another 15 minutes or so:

How does a bank establish certain rates of interest on different kinds of loans?

CONNECTICUT

Thomas M. Steele, president of the First National Bank and Trust Company of New Haven, is the new president of the Connecticut Bankers Association



What restrictions are put on loans by Federal and State regulation?

Why do your advertisements concerning automobile loans lead the uninformed person to believe that the interest rate on such loans is 6 per cent, while actually it is twice that?

Why do banks hoard money rather than

Is the attitude of the Government toward business a disadvantage to the banking institutions?

Why is it that the ratio of loans to deposits today is only about 1 to 6?

In recent years it has been a practice for large national concerns to finance themselves by sale of stock, debentures and in other ways; has this affected banks in any manner?

Although the last question hadn't been reached, Mr. Wageman insisted on closing, for the hour was late.

"However, for the next 30 minutes," he says, "I was the target for additional questions from the floor, all of which were interesting and instructive. None of the criticisms or questions took on the nature of acrimonious debate; all were asked in good faith. On the whole, I am certain that many of the persons who had mistaken ideas as to banking policies have had those ideas corrected, and I am sure there is a more sympathetic feeling towards banks and banking in general."

HELPING YOU to BUILD BUSINESS

You aim to please your customers because you recognize their good will as a major factor in the growth of your bank.

When they have business in Tennessee, THIRD NATIONAL'S co-operation will help you to give them the kind of service they like.

Nashville's Fastest Growing Bank

THIRD NATIONAL BANK

IN NASHVILLE - Nashville, Tennessee

MEMBER FEDERAL RESERVE SYSTEM

Member Federal Deposit Insurance Corporation



THE BASIC POLICIES of this organization have continued as originally established with such moderate changes as have been occasioned by the passage of time and the development of new external conditions. Essentially, they reflect a conception of investment that puts income above increment and principal above profit.

CHICAGO, 201 SO. LA SALLE STREET · NEW YORK, 35 WALL STREET

AND OTHER PRINCIPAL CITIES

HALSEY, STUART & CO. Inc.

Heard Along MAIN STREET

THARLES F. CHUBB, president, The Dollar Savings Bank, Pittsburgh, collects millstones. On his estate, Hidden Brook Farm, he has assembled about 15 of these relics of the days when

This material is compiled for BANKING by Albert Journeay

tumbling streams furnished the power for the collection of millstones in Frick that turned the wheels of industry. Park. While this hobby indicates an Most of the stones he found by exploring interest in the past, another indicates the sites of old mills along the water- an equal interest in the future. At Hidways of western Pennsylvania. Four, den Brook Farm Mr. Chubb has caused however, were obtained from Nova to be planted more than 100,000 trees. Scotia. Mr. Chubb was also responsible Annually he has set out from 2,000 to



ch

0

R

3

Mr. Chubb and one of his millstones

10,000 conifers. In view of the flood record of western Pennsylvania this example of reforestation could well be emulated.

HOWARD LUTTON, manager of the mailing department, National City Bank of Cleveland, some years ago started collecting cactus plants. So large did his collection become that it encroached upon the family's living quarters. Mr. LUTTON settled this question by giving away a number of his groups of cacti. Friends of the donees saw these, and came to Mr. LUTTON with offers to buy duplicates. From this accidental start has grown a profitable private business. Annually he prepares 200 or more cacti groups to fill unsolicited orders. These range from small groups in glass jars to large groups containing a dozen or more varieties. All are prepared with the care of an artist doing the task he most enjoys. The sand and the cacti are shipped in from dealers in the southwest, Mexico, and occasionally from South America. The unusual colors are made from crushed rocks. In many of the collections petrified rocks from the famous "Blue Hole" district of Ohio are used for decoration.

Historians of the middle West and the Mississippi River will have cause to be grateful to MORRIS S. HEAGY, president of the Rock Island (Illinois) Bank and Trust Company. Mr. HEAGY has devoted his spare time to writing a history of the river town of Hampton, Illinois, where he was born and where he still resides in the Summer. In carefully indexed volumes, replete with photographic illustrations and numerous newspaper clippings, he has developed a history of this picturesque 100-

-P-



SOURCE OF PROFIT FOR BANKS

"CERTIFIED DEPOSIT" TRAVELERS' CHECKS and MONEY ORDERS

for world-wide use are now available to any FDIC bank whose items are collectible at par through the Federal Reserve System.

APPLY TO

SECURED NEGOTIABLE INSTRUMENTS, INC. 39 BROADWAY - NEW YORK

year-old hamlet. His data concerning University of Minnesota. His interthe Mississippi, its steamboat days and changing traffic, are of even wider interest. It is to be hoped that some day it will have a place in the State's Historical Library. Mr. HEAGY is president of the Old Settlers and Pioneer Association of Rock Island, Ill. His experience in steamboating on the Mississippi has been supplemented by boat trips on the Nile in 1914, and in the Yukon in 1920.

OMER N. CUSTER, president, First Galesburg (Illinois) National Bank and Trust Company, is Galesburg's greatest asset. The value of a citizen of his character, ability, and civic pride to a community cannot be overestimated. He has attracted new industries and built up existing ones. His primary interest is his city and its people. He has served both, as well as his state. Mr. CUSTER was twice elected state treasurer. He served on the tax commission and the Industrial Board. The leading hotel was named after him. He has been county treasurer and postmaster. He is president of the IntraState Telephone Company which has done away with unsightly wires by placing over 50 per cent of its system underground. He also publishes newspapers in Galesburg, and in Burlington, Iowa, is president of several large industrial concerns, director of several others.

ty

go

30

it

ng

is

es

ON iis

ole

es

n-

all

n-

All

ist

nd ers a-15-

S. ed

n.

nd

is) GY a m. re reth

erel-

ALBERT J. ROBERTSON, vice-president, Iowa-Des Moines National Bank and Trust Company, Des Moines, was an outstanding member of the track team both in high school and at the

Mr. Lutton and his cacti (page 66)



scholastic record in the quarter mile made in 1911 stood for 27 years until it was broken last Spring. During the War Mr. Robertson served overseas on the staff of Brig. General Harrison J. Price, Commander of the 88th Division, A.E.F.

W. P. WELKER, vice-president, Wheeling (West Virginia) Dollar Savings and Trust Company, played for two years on the University of Michigan varsity baseball team. Subsequently he played in the Ohio-Pennsylvania League. He still has an active interest in the game.

---P-

A. R. HORR, vice-president of The Cleveland Trust Company, is a facile writer and lyricist. His book "Embarrassing Dollars" is widely known. He is the author of quite an elaborate operetta produced by the staff of the trust company and he contributes to Cleveland's annual gridiron show sponsored by the legal fraternity, Nisi Prius. Few men have had a more rounded experience. Following his graduation Mr. Horr practiced law. Later he was with the Erie Railroad. He has been with The Cleveland Trust Company since 1901 except for the years 1914-1922, when he was in New York City as vice-president and treasurer of the

For World's Fair Visitors

Central Hanover Bank and Trust Company extends a cordial invitation to bankers, customers and other friends to call at 70 Broadway while in New York City during the World's Fair.

CENTRAL HANOVER BANK AND TRUST COMPANY

NEW YORK



MEMBER PEDERAL DEPOSIT INSURANCE CORPORATION

Equitable Life Assurance Society. He is a trustee of Oberlin College although he was graduated from Cornell University in 1895. Mr. Horr is past co-holder of the city's doubles tennis championship. He was twice a member of the National Champion U. S. Whist Team. His chief diversion is his island in Lake Temagami, Canada,

HARRY H. POND, president, and DE WITT HUBBELL, executive vice-president, of the Plainfield (New Jersey) Trust Company, share a common interest in addition to the operation of their bank. Both are expert wood workers. Mr. HUBBELL's inclination is toward

building and remodelling houses. He is is the only member of his family who constantly building additions to his home in New Iersey and to his place at Cape Cod. At both places he has a fully equipped carpentry shop. Mr. Pond, in his complete wood working shop, turns out very fine cabinet work. Mr. Hub-BELL is a graduate of Wesleyan University. He is a popular speaker before banking groups. Mr. Pond is a member of the board of governors of Muhlenberg Hospital, president of Vineland State School, and a past president of the New Jersey Bankers Association.

L. B. ACHOR, cashier, Swedish American National Bank, Rockford, Illinois,

never drew a pay check from a railroad company. While his family steered him away from railroading they did not dim his interest in trains. Mr. ACHOR'S hobby is building and running model live steam locomotives. He is so expert that in 1932 his engine won first prize at the Chicago Society of Model Engineers exhibit. In his shop he has built a 3/4" scale engine which runs around his home on a 3½" gauge track. It required four years to build it. Engine and tender are six feet long, weigh 175 pounds. The locomotive is fired with coal and carries 100 pounds pressure. It will easily pull a dozen men. At present Mr. Achor is building a larger one.

A ge di ci w in te ti P I I F

CHARLES J. MOORE, president of the Third National Bank & Trust Company, Dayton, Ohio, is one of the real veterans of banking. Mr. MOORE entered the bank as assistant bookkeeper in 1880. In 1917 he became its president. Now 83 years old, he retains his active interest and can be found daily at his desk. -P-

PHILIP A. BENSON, president of the Dime Savings Bank, Brooklyn, and President, American Bankers Association, is also head of the board of trustees of Adelphi Academy, Brooklyn. He awarded the diplomas at the commencement exercises last month. The speaker of the evening was WILLIAM A. IRWIN, associate educational director of the American Institute of Banking.

In BANKING for May there was a paragraph about the aviary of Frank Lipp, manager of the foreign exchange and travel departments, Commerce Guardian Bank of Toledo, Ohio. Below are pictured a few of the 75 song birds in his collection.

-P-





ESTABLISHED MARCH 24, 1933

RESOURCES EXCEED \$400,000,000

NATIONAL BANK OF DETROIT

DETROIT, MICHIGAN

Member Federal Deposit Insurance Corporation

R. G. RANKIN & CO.

CERTIFIED PUBLIC ACCOUNTANTS

Examinations of Banks and Trust Companies for **Directors Committees**

NEW YORK

CHICAGO

WASHINGTON

Savings in Commercial Banks

WRITING in The Graduate School these retailers of credit, he asserts, conger, a member of the School faculty, drawal-"but in addition you will find discusses possible adoption by commer- a clause which reads something like cial banks of a protective clause that this: would, in effect, allow savings deposits in these banks to be invested for longer terms and at higher rates. The title of the article is "Why Can Some Banks Pay the Highest Rate of Interest on Deposits Allowed by Present-Day Regulations?"

ho ad im

im

R's

del

ert

at

ers

4"

his

TP-

ine

175

ith

. It

ent

the

ny,

ans

the

80.

ow

in-

sk.

the

ind

cia-

ees

He

ce-

ker

IN.

the

s a

ank

nge

erce

low

rds

Pointing out that retail credit bankers say they are now paying the highest permissible rate on savings deposits, Mr. Berger, who is treasurer of the Norristown-Penn Trust Company, Norristown, Pa., says it seems "almost obvious that there is some factor causing a difference between the conditions under which such bankers operate and those under which commercial bankers carry on."

The savings passbooks of most of

General Foods Declares **Preferred Dividend**

Directors of General Foods Corporation at a meeting held June 21, 1939, declared a quarterly dividend of \$1.121/2 a share on the 150,000 outstanding shares of the company's \$4.50 Cumulative Preferred Stock. The dividend is payable Aug. 1, 1939, to holders of record July 10, 1939.

Among the products of General Foods are: Maxwell House Coffee-Jell-O-Post Toasties -Grape-Nuts-Grape-Nuts Flakes-Postum-Post's 40% Bran Flakes-Whole Bran Shreds-Huskies-Baker's Premium Chocolate-Baker's Cocoa-Swans Down Cake Flour-Diamond Crystal Salt-Calumet Baking Powder-Baker's Coconut-Sanka Coffee-Kaffee Hag Coffee-Minute Tapioca-Log Cabin Syrup-Certo-La France-Satina-Birds Eye Frosted

GENERAL FOODS

250 Park Avenue · New York, N. Y.

DIVIDEND

ARMOUR AND COMPANY OF DELAWARE

On June 2 a quarterly dividend of one and three-fourths per cent (14 %) per share on the Preferred Capital Stock of the above corporation was declared by the Board of Directors, payable July 1, 1939, to stockholders of record at the close of business June 13, 1939.

E. L. LALUMIER, Secretary

of Banking section of the Rutgers tain provision for the right to require Alumni Monthly for May, G. Fred Ber- 30, 60 or 90 days written notice of with-

> The bank also reserves the right to limit the aggregate amount of savings withdrawals in any one calendar month to an amount not exceeding its net receipts of the preceding month, in which event withdrawals will be allowed in the order presented.

"In effect, therefore, savings deposits of commercial banks are demand deposits and must be treated as such, while deposits made under such a protective clause are in fact funds which may be safely invested in longer term loans and investments at higher rates. On these funds the banker can well afford to pay a better rate and thus successfully compete for the savings dollar. . . .

Mr. Berger says there appears to be no law or regulation preventing adoption of such a clause by commercial banks, although bankers "would probably feel better" if it were a matter of regulation. He then considers, from the viewpoints of the savings depositor, the banker, the supervisory authorities and others, just what the inclusion of such a clause would achieve.

The depositor "has stability assured, and the higher ratio of earnings assets made possible by the protective clause -and the resultant higher earningsenables payment by the banks of a better rate of interest on savings deposits", thus strengthening their competition for the savings dollar.

From the banker's point of view, the protective clause would enable him to "use two hands" on his investment policy, "Just consider what an elimination of the Banquo's Ghost of unrestricted withdrawal demand could mean! If commercial bankers could invest 75 per cent to 85 per cent of their present savings accounts in sound instalment paper, in good mortgages, and -in more normal times-in longer term higher rate bonds, could we afford to pay better rates and would our net earnings be higher?"

With the protective clause "easing the savings liability problem of banks, the supervisory authorities could well feel that their present program of easier restrictions against longer term credit could be carried out with safety."

Mr. Berger thinks the clause could be adopted by a single bank, although group action would be more effective.



Since the big days of "Mississippi steamboating" the First National of Memphis has been known as an efficient point of contact with the important Mid-South area.

THE FIRST NATIONAL BANK OF MEMPHIS MEMPHIS, TENN.



LIBERTY RECORD

Protect your inactive business records against loss or damage with Liberty Record Storage Boxes.

They cost but a trifle, yet keep all records safe, clean, orderly, available when needed. Come collapsed. Set up instantly. Stock sizes for every standard form. Liberty Boxes last 20 years . . . and more!

Free Sample! Write us on your letterhead!

534 Sa. Clark Street

Sold by Leading Stationers

ASK BANKING

Salary Policy

What is a sound policy with regard to salaries?

SALARIES are paid for services performed. Therefore a sound policy recognizes this fact and pays salaries to positions and not to persons. As there are differences in the degrees of efficiency with which the duties of the various positions will be performed, maximum and minimum amounts should be attached to each position. Incumbents should be paid somewhere between these maxima and minima in accordance with their capabilities. But such capabilities should be recognized by the executives responsible without employees having to "ask for a raise".

Checking Account Charges

Is it necessary for a bank to know its costs in order to install service charges on checking accounts?

To say that there is only one way in which things can be accomplished is to proclaim a limited experience. But there is always the best way and that way brings with it the greatest degree of success. The degree of success in the installation of service charges has many times been proved to be in direct rela-

tion to the degree of preparation. The first step in this preparation is a knowledge of the bank's own costs. To do otherwise ignores first principles. Those bankers who install the so-called service charges merely as a "stop loss" fail to value their services at their true worth. They fail to recognize that the proper installation of these measures is a merchandising problem, not a haphazard stop-gap. If they have respect for their institutions and services they will want to be sure that those valuable services are being profitably performed. This is impossible without a knowledge of their bank's own costs.

Personal Loans

Are the best interests of the community at large served by a bank making personal instalment loans?

ONE of the objectives of banking is to teach people to save. There are, however, many thousands who will never save — that is, they will not lay aside a part of their income each month and deposit it in a bank. Yet is not the purchasing out of income of such things as automobiles, refrigerators, radios, etc., a form of savings? Certainly such buyers possess articles of value which they could not have obtained by any other means. Much instalment buying

This department is compiled for BANKING by E. S. Woolley

is financed by manufacturers and retail stores which are thereby entering a field properly belonging to banks. Banks owe it to their communities to see that all who can meet the requirements of character and ability to pay can obtain the necessary financing from them.

Interest Paid

What factors decide the rate of interest that a bank can afford to pay?

IT is obvious that a bank cannot afford to pay more than it can earn. Therefore the first factor to be considered is the rate earned by the assets into which the funds of such interest-bearing deposits are invested. The second factor is the rate cost of investing those funds. The difference between these two rates gives the net earning rate. As only a portion of the deposits are invested in interest-bearing securities, this rate must be reduced by the ratio that the uninvested funds bears to the total deposits. Other factors which should be considered in individual cases are the

BOOKLETS

FIELD WAREHOUSING. Financing the Modern Way. Douglas-Guardian Warehouse Corporation, Chicago. Used as a supplementary text on distribution and finance in several universities.

BONDS. The Investment Merits of American Municipal Bonds. Halsey, Stuart & Co., New York. 74 page guide and reference for municipal bond buyers.

MACHINE EQUIPMENT. Proof Sheet. Remington-Rand, Inc. Pictures of office machine installations in banks and trust companies.

AIR CONDITIONING. Fair Weather. Carrier Corporation, Syracuse, N. Y. Illustrating small portable units for home and office.

Air Conditioning in a Package at Low Cost. York Ice Machinery Company,

York, Pa. Explains the versatility of new balanced multiple refrigerating units.

STORE FRONTS. K.Z.S. Architectural Porcelain Enamel Panels. The Kawneer Company, Niles, Michigan. Explains the advantages of using colored porcelain for store fronts.

AUTOMOBILE FINANCING. A Guarantee Your Customers Will Like. Commercial Credit Company. A folder on automobile instalment selling addressed primarily to dealers.

LOANS. Personal Loans and Instalment Loans. By D. R. Alvord, cashier, First National Bank & Trust Company, Greenfield, Massachusetts, distributed by the National Cash Register Company. An exposition of a personal instalment loan department.

TRANSIT. Speedier Clearance and Collection of Checks. International Business Machines Company. Describes the I.B.M. proof machine for banks.

CHECKING ACCOUNTS. Talks About Small Checking Accounts. De Luxe Check Printers, Chicago. Series of 12 short talks on merchandising checking facilities.

INSURANCE. What Is the New Way of Buying Insurance? Hartford Accident and Indemnity Company, Hartford, Connecticut. Explaining advantages of carefully planned protection.

FIELD WAREHOUSING. Questions and Answers. Lawrence System, 52 Wall Street, New York City. Answering 28 questions relative to financing through inventory warehouse receipts. length of time for which the amounts are deposited and the activity of the account.

Savings Withdrawals

Should a notice of withdrawals be required from savings accounts at all times?

THE only reason for paying interest on savings accounts is that, theoretically, the funds can be invested in longer term and, therefore, presumably, higher-yield securities than can the funds of demand deposits. When they are paid out on demand this theory is destroyed.

tail

ks.

to

ire-

oay

om

er-

ord

ere-

d is

iich

de-

ctor

ids.

ates

y a

l in

rate

the

de-

be

Colness

the

bout

uxe

12

king

y of

lent

ord,

s of

and Vall

28

ugh

ING

Actually the payment of savings deposits on demand is, in the opinion of this department, a fundamental error of the American banking system which, sooner or later, will have to be cor-

A policy which has been followed by one bank for many years is that a 30-day notice is enforced without exception at all times. Upon receiving a withdrawal notice the amount is transferred from "savings" to "demand savings" and interest ceases.

It is held in this latter account for 33 days, thus giving the depositor 3 days grace. If it is not called for at the end of that time the amount is transferred back to savings and the process must be repeated. While in theory 30 days is not sufficient notice, nevertheless in practice it has worked out very well.

Volume and Checks

Does a large volume of items in the checking department entitle depositors to wholesale rates?

VERY often exactly the opposite is true and a large volume from a few depositors will increase costs by creating "peaks". This is particularly true with some payroll accounts. Volume alone does not reduce costs in the checking department.

The checks must all be scrutinized for signatures and endorsements; all must be posted and filed. The "list" posting of checks does not, in itself, reduce costs sufficiently to warrant a reduction in selling prices. Only in cases where the bank assumes no responsibility for signatures or endorsements, paying all items as presented, with the total of such items being taken up at the end of the day by a treasurer's check, can the price properly be reduced from the regular check rate.

"Operations"

What does the term "operations" as applied to banks include?

To many bankers the term "operations" merely means the routine clerical work. Actually, however, the term covers everything that affects both the policies and the profit and loss

account. The meetings of the boards of directors are very important operations. For it is there that the operating policies are adopted. The buying of a bond, or the making of a loan is just as much an operation as is the posting of a check. Yet the posting of checks has received much more careful planning for both efficiency and control than has probably any other phase of banking.

THE TALE OF TWO BANKERS

ONE MAN without investigating first, bought only Fire insurance. The other believed in adequately protecting his property at lowest rates, so consulted his local agent who recommended MUTUAL fire insurance. Which one do you think showed better judgment?

PAWTUCKET MUTUAL Fire Insurance Co. Incorporated 1848 Pawtucket, Rhode Island

ADDED BANKING LINES DESIRED

• This organization specializing in acquiring and placing . . .

LOANS secured by LIFE INSURANCE Policies

. . Invites inquiry from banks who are interested in this growing practice

INSLOAN, INC. An Insurance Loan Agency
342 Madison Avenue, New York

• MUrray Hill 2-5791





Firesafe CONCRETE gives structural security to the home mortgage

There's no doubt about a concrete house "being there" while the loan is being paid off—or for decades afterwards. For concrete won't burn... defies storms...is proof against rot, rust, termites and decay.

The owner of a concrete home is more likely to meet his monthly payments because he carries no "hidden mortgage" in the form of unexpected structural repair bills or protective painting charges.

OWNERS PROUD OF CONCRETE HOMES

The friendly beauty and warm livability of concrete homes make them more salable and re-salable. It's the fastest-growing type of home construction—35,000 built in the past three years.

Even the first cost of enduring concrete is favorable—little or no more than for non-firesafe construction. Let us send you the booklet, "Why People Like Concrete Homes," mailed free in U.S. or Canada.

• (above) Concrete walls, floors and foundations insure longterm structural value in this pleasing home at Versailles, Ky.

PORTLAND CEMENT ASSOCIATION

Dept. A7-55, 33 W. Grand Ave., Chicago, III.

A national organization to improve and extend the uses of concrete—
through scientific research and engineering field work

ACCOUNT ANALYSIS - Continued from page 49

pression here to the opposite opinion, which is held by some whose judgment merits respect.

HYPOTHETICAL EXAMPLES

"IT might be useful to examine some hypothetical examples of the application of the plan suggested:

BUSINESS ACCOUNT

Bri

Wh A I Pro A G Go

SU

01

d

Average daily net collected balance				
		\$	8,000	00
Earnings credit		-		
In this example, 1½ per cent per annum For method of computation, see below†		\$	10.	00
Account maintenance	\$.50			
188 Customer's checks or items paid @ 5¢	9.40			
320 Out of town checks or items collected* @ 36	9.60			
115 Local checks or items collected* @ 1¢	1.15			
4 Collection items handled @ 25¢	1.00		21.	65
Service charge		\$	11.	65

PERSONAL ACCOUNT

4 50%

3.0

Gross asset earning rate.

Less: 20 per cent for profit on collected balance

Net earnings credit.....

25 per cent for total cash reserves carried.... 1.1

Conversion costs.... Custody of funds....

Average daily ledger balance

Less average daily float.	5.00
Average daily net collected balance	\$ 145.00
Earnings credit (@ 1½ per cent per annum)	\$.18
Account maintenance\$.50	
15 Customer's check or items paid @ 5¢	
5 Out of town checks or items collected* @ 3¢	
2 Local checks or items collected* @ 1¢02	1.42
Service charge	\$ 1.24

^{*} Deposited or cashed.

"It will be noted from the above illustrations (and it is emphasized that the figures and percentages used are for illustrative purposes only) that account analysis can be made a very simple affair. The method suggested can be applied to every account in the bank — a very desirable practice for it is good merchandising to tell each customer that his account is treated exactly the same as every other account in the bank.

"Maintenance costs apply to all accounts, whether active or not. It is recommended that inactive accounts have the maintenance charge applied regularly. (If they are segregated into a dormant ledger, maintenance expense on inactive accounts is lower than on active accounts, as will be shown by the cost survey.) If this practice is followed, the treatment of so-called dormant accounts is automatically solved."

The study discusses in some detail the following "fallacies to avoid": Inadequate profit margins, volume discounts, special contracts and special services, average rates, price differentials, exceptions and exemptions, inclusion of unrelated services in analysis computation, and avoidance of complicated service charge schedules.

BANKING'S DIGEST—JULY 1939

A Nationwide Report of Outstanding Speeches

Briefly	73	Reservoirs of Risk Capital ROBERT M. HANES	80
Why Money Is Idle WINTHROP W. ALDRICH			
		Real Progress WALTER S. GIFFORD	
A Labor Viewpoint MATTHEW WOLL	74	An Independent Banking System PAUL F. CADMAN	81
Prorating Expenses LYALL BARNHART		Capital Loan Mechanism Roy A. FOULKE	81
A Country Bank's Loans E. E. PLACEK		The Banker and His Public W. RANDOLPH BURGESS	82
Government Farm Credit A. G. Brown	76	Public Financing Today JOHN K. STARKWEATHER	83
A Community Service	76	The Lunatic Fringe HAROLD L. ICKES	83
Capital Funds Through Bank Loans E. N. DEKKER	77	Heard at Grand Rapids (The A.I.B. Convention)	84
A Mistake Clinic WILLIAM Z. HAYES	77	Tailor-made Investment Programs ROBERT L. GARNER	85
Power Over Credit PHILIP A. BENSON	78	The Government Bond Market HENRY LYMAN GREER	87
Classified Time Depositors Thomas A. Wilson	79	Progress in Reverse LAURENCE S. BELL	88
Opportunities	79	The Reconstruction of Free Enterprise JOSEPH C. O'MAHONEY	88

Briefly

GT IS not through a policy of isolation but rather through supplementing our domestic efforts by playing our appropriate role as a member of the family of nations that we can hope to solve the problems which confront us today within our own frontiers.—CORDELL HULL, Secretary of State.

EMOTIONS are the nicest things we have; they are the most lovable of man's possessions, and they are the most dangerous.—MAUDE ADAMS.

SURELY the risking of private money in new enterprises and productive processes does not require an environment in which the farmer and worker is impoverished. Use of Government funds—belonging to all the people—to improve the lot of the worker and the farmer while our economy moves upward into balance is but the modern method of protecting our private economy. In earlier years this was done through subsidies, franchises and grants of land.— HARRY HOPKINS, Secretary of Commerce.

In the not too distant future, we will walk up to our car, push a button and the door will open. We will have the impression of entering a commodious room. It will not be necessary to crawl around stationary seats and trip over pumps and tunnels in the floor. The seats will be light, movable chairs and the floor will be wide and flat. A portion of the roof will be made of a curved translucent material which will admit the health-giving rays of the sun and at the same time remove glare.—Edwin L. Allen, Standard Products Company.

 \mathcal{J}_{F} the British encirclement policy remains what it was before the war, German defense measures now have radically changed.—Chancellor HITLER

THE real problem before the country, and it is a problem that is basic to producers as well as to distributors, is to get a much larger investment of capital in desirable productive uses and for desirable social purposes. If we are to have the measure of recovery we seek, capital investment must be

made either by private business or by government, or by private business with the aid of government. That is the heart of the problem of recovery.—HENRY A. WALLACE, Secretary of Agriculture.

THE Soviet Union cannot undertake any obligations toward countries that insist on neutrality which they cannot defend.—VYACHESLAFF MOLOTOFF, Soviet Premier and Foreign Commissar.

The violence of the abuse and vilification hurled at life insurance from some quarters indicates the weakness of the position of those attacking the companies. To abuse one's opponent is commonly assumed to be a good method of attack when one has no foundation or basis for the attack.—Victor R. Smith, President, American Institute of Actuaries.

GHE world turmoil of today is such that war is not only a possibility but must be considered a probability. I am not speaking as an alarmist and I do not predict that we will be involved in any major war; nevertheless, the possibilities of a great conflagration exist and there is nothing for us to do but be ready to defend our interests and maintain our national security should another Armageddon occur.—Rear Admiral Harold R. Stark.

WHEN the American women begin applying good house-keeping tactics to economic, financial and governmental affairs, the weight of their convictions will be felt by their elected representatives.—CATHRINE CURTIS, National Director, Women Investors of America, Inc.

FRANCE is in the front rank of the powers that will prevent Europe from being drawn into a catastrophe by efforts at domination. Such a policy cannot be considered one of encirclement, as some people claim. That is a vain pretext invented for propaganda purposes. We are for collaboration, which is just the opposite of encirclement.—Premier DALADIER.

19

une

ım-

00

00

65

65

.00

.00

00

.18

.42

.24

is

us-

e a

to

t is

ınt

the

ive

the

ted

ive

WII

ent

ies

its,

ice

re-

of

NG

Why Money Is Idle

WINTHROP W. ALDRICH, Chairman of the Board, Chase National Bank, before the BOND CLUB OF NEW YORK.

A SHORT time ago, the President of the United States addressed to the Temporary National Economic Committee an inquiry as to why there was such a large amount of idle money in this country at the present time, and as to why this money is not being used in capital expenditures and in the employment of labor. This problem is one with which the bankers of this country have been wrestling for the past four or five years.

Every effort has been made to increase commercial loans and to encourage capital investment. The obstacles which exist have been stated and restated time and time again. I will not attempt at this time to enter into a lengthy discussion, but will simply enumerate some of those which are

generally recognized.

There are a number of taxes which definitely inhibit the use of funds in risk-taking activities which are the kind of activities which create new enterprise and bring about expansion of employment most rapidly. For example there is the undistributed profits tax. I personally do not agree with President Roosevelt that at the present time this tax is comparatively unimportant, but I believe that Congress in

any case is on its way to eliminate it.

The capital gains tax is a greater inhibition to the investment of capital than is the undistributed profits tax. When capital gains are taxed at income tax rates, men with substantial supplies of capital will not dare take risks. If they are successful, the Government makes most of the profit. If they are unsuccessful, the Government makes up none of the losses, and they cannot even carry over the losses into another year. The modification of the capital gains tax early in 1938 has made some difference but not nearly enough. The upper brackets of the surtax and income tax field are obviously paralyzing so far as risk taking activities are concerned.

We all remember the long discussion about Government competition with the utilities. We all remember the effect of the continued shocks and uncertainties which have been the result of Government policy.

The whole budgetary position of the Government is a

source of grave disquiet to men who would like to make long run plans. There is no more vital issue before the country than the assuring of the solvency of our national Government and the balancing of the budget, which ought not to be on such a high level of expenditure that the taxes with which the budget is balanced weigh too heavily on industrial activities.

I will not take your time to point out the uncertainties that result from the continued power of the President to issue three billion dollars of greenbacks and to devalue the dollar. All of us are thoroughly aware of the brake which that puts on investment for long term. I will not take your time, either, to talk to you about the Social Security Act and the desirability of eliminating the reserve of 47 billion dollars which is

to a ra T w

provided for under that Act as it now stands.

I would like to speak to you about one aspect of the difficulty of balancing the budget. The situation as to this matter is one of extraordinary political difficulty. It has been true always in the past where retrenchment was being practiced, that the President of the United States has had to take the lead in that course. It has always been Congress which has been the spending body. The President looking at the needs of the whole country has in the past vetoed items designed to take funds from the Treasury for particular localities and particular interests. Congress has never been trained to economy. It has on the contrary been accustomed to logrolling which leads to extravagance.

When you have a situation where the executive branch of the Government is not only not urging economy, but is preaching spending as an economic necessity and deficit financing as a virtue, it is almost impossible to expect that Congress can initiate and carry out a program of retrenchment.

One of the things which the businessmen of every locality should remember in this connection was referred to by the President in a recent speech and that is that there is constant pressure put upon Congress from localities for additional Federal spending.

I can't think of any more useful thing which could be done by a group of business men in any given locality than to discourage their representatives, locally and in Congress, from asking for and urging upon the Federal Government further expenditures of Federal money in that locality.

A Labor Viewpoint

MATTHEW WOLL, Vice-president, American Federation of Labor. before the NATIONAL INDUSTRIAL CONFERENCE BOARD.

TABOR wants to see a very definite check placed on the rapidly growing tendency of government to compete with its own citizens.

Certainly, it is by far better that capital investments be encouraged to bring about re-employment than that we should center foremost attention on providing relief and in finding new

excessive and burdensome forms of taxation.

Certainly, our public spending program needs careful review and correction. We cannot continue indefinitely upon a deficit program without ultimate reckoning. Then, too, there should be a complete revision of our tax laws. Taxes provide the greatest single contribution to the cost of living today. It makes no difference whether these taxes are paid in the first instance by big business, industry, the public utilities, the railroads, the banks or the insurance companies, it is the ultimate consumer who pays them in the end.

Prorating Expenses

LYALL BARNHART, Comptroller, First National Bank and Trust Company, Oklahoma City, before the New Mexico Bankers Association.

ong

trv

rn-

be

ich ial

nat

ue

ar.

its

er, ir-

is

he

nis

as

ng to

ess

at

ns

ar

en

ed

of

is

fi-

n-

t.

ty

10

al ne

s, il WE prorate expenses as incurred and not at the end of the month or year. This procedure of immediately distributing costs as they occur eliminates confusion and inaccuracies which, obviously, follow when expenses are prorated at a later date or after the entries have grown "cold". This plan also eliminates the keeping of subsidiary records which require much time and expense. Stationery and supplies expense, for example, is prorated to departments at the time the supplies are paid for, not as they are used.

In other words, we do not go through the so-called standard routine of charging a shipment of ledger sheets, purchased for the bookkeeping department, for example, into the stock room, then charge them out of the stock room and into the bookkeeping department every time bookkeeping needs another hundred sheets. To do this requires a perpetual inventory, duly tied into the books of account, with shortages or overages to be adjusted at the yearend inventory, and so on. We keep a perpetual inventory in our stock room to be sure—we take an annual physical inventory there—but if a package of 100 bookkeeping ledger sheets is missing, we do not make a lot of entries in our account. We take the attitude that if these bookkeeping department supplies are lost, they probably were used by the bookkeeping department anyhow.

Under this plan it is true that the purchase of a year's supply of forms for a department will result in a single charge against the department within the month that the supplies are paid for, while the supplies may be a year in the using. However, our experience has shown that such overcharges or undercharges have very little material effect upon over-all per item costs which are determined at the end of the year.

We purchase most of our expensive items of stationery in the late Fall for delivery around the first of the year and usually in quantities to last one year. The cost of small supplies such as pins, pen points, adding machine paper, rubber bands, etc., which are used by many departments, are prorated based upon the past usage record of the departments as shown by our stock room requisition records for this kind of supplies, and while this proration is to some extent an approximation, it is sufficiently accurate for practical results.

Suppose, for instance, that we should overcharge or undercharge some department a dollar or so in prorating the cost of 100 pounds of rubber bands. What is the difference? It will not materially affect our final figures, so why should we spend a lot of effort and money to prorate with absolute accuracy every last penny of expense of this nature? The rule that we follow in choosing between absolute accuracy and reasonable approximation is one of common sense. "Is it worth the cost of getting the slight added accuracy?" we ask ourselves at each step. If the cost of absolute accuracy is small, then absolute accuracy is decided upon. If the possibility of wide error exists inherently in an approximation, then we decide upon absolute mathematical accuracy, but if the cost of getting it absolute is so great as to outweigh the advantages, then we compromise on as accurate an approximation as we can reasonably obtain.

Salary expense, for example, represents almost one-half of total operating expenses, so our salaries are prorated with almost absolute accuracy. Our salaries are paid twice monthly by the issuance of a special form of expense check. After the checks are prepared they are sorted by departments according to where the person receiving the salary is engaged. Some officers and some employees may spend a part of their time in one department and a part in another. Their salaries are prorated accordingly and the basis for the proration is the amount of time devoted to each department. While this time is not determined with stop-watch accuracy, the result is almost equivalent thereto.

A Country Bank's Loans

E. E. Placek, President, First National Bank of Wahoo, Nebraska, before the Illinois Bankers Association.

I DO not consider governmental agencies as serious competition. In my locality every borrower is anxious to have the local bank take him over because there is too much red tape connected with loans made by such agencies.

One reason why the borrower prefers to have his loan in a local bank is the strict manner in which such agencies make him account for everything sold by him and covered by a lien to the agency, while, if the local banker carries the loan and the borrower should sell a cow or a hog he would come into the bank and talk you out of \$5 or \$10, because he needed the money to pay insurance or buy shoes for the children. The country bank learned quite a few things from the Government loan agencies.

With all these governmental agencies it is necessary that the banker keep himself accurately informed on their activities and take advantage of every opportunity to increase his

Speaking Personally

WIE do not have a personal loan department because in a strictly agricultural community the volume of such business would be very small, and personally, I do not like to take a mortgage on the baby's high chair or the widow's bed, for the reason that I am a widower, and she might propose that I marry her and cancel the debt.—Mr. PLACEK.

profits. We carry a substantial amount of FHA Title I and Title II loans because these loans carry a good rate of interest, and in addition, are guaranteed.

A country banker has very few loans outside of agricultural loans. It behooves him to take an active interest in the farmers' progress and problems, and the better he is posted the more valuable his advice is to the farmer.

Livestock on the farm reproduces itself and multiplies,

making it possible for the borrower to retire his debt, but a tractor or combine or corn picker, instead of being an asset, is a liability because of the investment and the depreciation that must be charged out each year. I am sure that if the bankers take a positive stand and tell the farmers that they are not going to finance them in the purchase of expensive and needless farm equipment and will refuse to buy or rediscount paper of the implement houses, prosperity and stability will return that much quicker to the country as a whole.

The automobile and its quick transportation and the radio and its quick communication have made serious inroads in our small towns. The deterioration is so serious that it is practically inadvisable to make loans on either residential or business property. The result is that the loans of a country bank must necessarily be limited to livestock and to grain.

Business loans are scarce, even in county-seat towns, because the chain stores have expanded so rapidly that they practically control the volume of business. We have in our town four chain groceries, three hardware supply houses, and one chain general merchandise store, leaving very little business to be handled by independent merchants. All of these things have resulted in more bonds such as Government, municipal, and even industrial bonds in practically all of our country banks. These changes have been so rapid, and sometimes so confusing, that it is hardly possible for a country banker to keep up with this modern trend. Where it will end I am unable to tell you, but we do have hopes that with normal crops and expansion of business, the independent merchant will be able to stage a comeback.

Government Farm Credit

A. G. Brown, President, Ohio Citizens Trust Company, Toledo, before the Credits Conference, American Institute of Banking.

THE Federal Land banks, organized as farmer cooperatives in 1917 and wholly owned by them until 1932, became the beneficiaries of a generous Government which now owns more than 50 per cent of their capital. The fact that in seven of the twelve banks the borrowers still own a majority of the capital stock is basis for the hope that the Government may ultimately be repaid for its advances, control returned to farmer-borrowers and the banks again assume the role of real cooperative institutions.

In the meantime, there is the opportunity now offered to bankers, particularly country bankers, to interest themselves actively in the Land Bank System by directing straight thinking and giving active support to those of its real friends who want to see it preserved as the great stabilizer of long-time mortgage credit—governor, so to speak, of the whole farm mortgage situation, guaranteeing fair rates and terms but not usurping the business to the exclusion of every other farm mortgage loaning agency.

There is a fear generally prevalent that all Government sponsored lending agencies are attempting to dominate their fields by promulgating interest rates that cannot be justified by actuarial experience. Lowering of interest rates, especially on agricultural credit and home mortgage loans, has been a policy of the Government for several years, culminating in the arbitrary lowering to $3\frac{1}{2}$ per cent of the rate on mortgage loans of the Federal Land banks by action of Congress, which authorized it as a temporary measure of relief, but which has been extended for the second time and carries on all Federal Land bank loans until July 1, 1940.

The rate of 3½ per cent on Federal Land Bank loans is wholly artificial—made possible only by Government sub-

sidy and any attempt to found a permanent policy upon it is bound to result disastrously, not only for the private mortgage lending business, but also for the farmer, whose best interest would be served in having every form of private finance, including commercial banks, competing for his security.

In the intermediate or short-term credit field, production credit associations, of which there are now 500 scattered throughout the United States, are a real potential source of competition for the country bank in the future. Their funds are obtained from the Federal Intermediate Credit banks which are Government owned and which, in turn, secure their funds from the sale of debentures to the investing public.

We find among the types offered by production credit associations every kind of agricultural credit that is offered by commercial banks: cattle loans, equipment loans, sale notes, barnyard loans, commercial loans.

The test of 1933, when the credit of the farmer stood up better than the "blue chips" of business and industry, should remind all of us that agricultural credit is worthy of our continued cooperation—cooperation that requires diligent study and effort to make sure that our facilities as bankers are worthy of the constant need of our customers.

Government influence in the field of private lending will be halted, in my estimation, only after it is generally acknowledged that there is no need for its participation. The banker, particularly the country banker, has a real opportunity to "nail" its progress on a cold-blooded business appeal—(1) by assuming a more aggressive attitude with respect to the procurement of loans, (2) by a lowering of interest rates to meet the competition of governmental agencies, and (3) by providing a proper quality of credit to meet the farmers' needs, including a plan of payment commensurate with the ability of the borrower to repay.

A Community Service

THE small checking account service appears to fit very nicely into the present banking structure and meets a long felt need. Serving a community certainly means providing it with as many services as it requires—large or small—which should be made available to as many as possible. So doesn't it appear to be perfectly reasonable, that bankers should make an intelligent approach to this important matter of small checking account service, which presents such promising possibilities for profit and customer good-will?—H. W. MAYER, Cashier, First National Bank, of Hegins, Pa.

Capital Funds Through Bank Loans

E. N. Dekker, Assistant Vice-president, National City Bank of Cleveland, before the Credits Conference, AMERI-CAN INSTITUTE OF BANKING.

61. ur

nd

le

of

n-

ly.

d,

0

t-

te

iis

on

ed

of

ds

ks

re

ng

it

ed

le

ıp

of

li-

as

pe 1er, to

1) 1E to

G

 $\mathbf{I}^{ ext{N}}$ spite of continued and intensive cultivation of the field, the dollar volume of loans made by the Government agencies has fallen far short of early expectations. The experience of these agencies has demonstrated that only a small percentage of the businesses which apply for capital loans can qualify as eligible bank risks and that the majority need permanent equity capital. That the commercial banks have done a good job in taking care of the needs of their customers for capital funds is shown by the fact that, as of March 31, 1939, 43 banks had outstanding capital loans totaling over \$306,600,000. This figure is significant because it represents the total capital loans of such a small number of banks.

If this comparatively small number of commercial banks has invested so heavily in business and industry, is it not safe to assume that all of the commercial banks in the country, together with the savings banks and insurance companies, are able to take care of all legitimate demands of business for temporary capital funds? Is it not probable that the agitation for Government assistance, in the form of a system of credit banks, is coming from those who need funds of a different nature than the existing financial agencies should be called on to furnish? Is it not possible that a benevolent Government is being asked to subsidize uneconomic enterprises-those whose management has not been capable of putting the business on a firm foundation, or those which are new and untried and do not have sufficient proprietary capital in the business to warrant outside capital taking the risk of long-term accommodation? If a system of Federal intermediate credit banks were to be established, it is quite possible that its long-term borrowers would do their shortterm financing through these same institutions. It is to be hoped that Congress will give long and careful consideration to the various proposals now pending, before putting the Government further into competition with private enter-

It is quite evident that the primary emphasis, in making

intermediate capital loans, is placed on management and earnings rather than on assets, which normally furnish the basis for short-term, seasonal loans.

In the opinion of most of the bankers who replied to a questionnaire, the demand for this type of financing is increasing. It is felt that Government encouragement, and the efforts of other agencies to sell the idea of longer-term financing to business and industry, has created a demand which will continue to expand as long as the banks are loaded with excess cash, and the securities markets are quiet. In only a few instances did bankers indicate that, in their opinion, the

demand is decreasing.

As a result of securing capital funds through the medium of bank loans, borrowers have avoided the expense incident to the requirements for marketing a public issue under the regulations of the S.E.C. They have been able to refund, at considerably lower interest expense, callable issues of bonds. Working capital, depleted by bond interest and sinking fund requirements during years of lean profits, has been replenished. Plants and machinery have been modernized. New products, having attractive profit possibilities, have been developed. Debt has been consolidated and an orderly repayment program, which has met the approval of a single creditor, has been arranged. Advantageous purchases of commodities have been made possible. By the cooperation of several banks, a local business has been able to do its borrowing from local institutions where the management is well-known and will receive more sympathetic treatment. Flexibility and orderly planning for the future are made possible by the establishment of a financial program for a period of years.

The conclusions which may be drawn from the information contained in the answers to questionnaires are that banks are willing and anxious to make good loans of a capital nature; that such loans furnish additional income; that they are a safe and proper investment for a portion of a commercial bank's assets; that loans can be made for small amounts with profit and safety to the lender; and that considerable benefit should accrue to the borrower. It is also evident that the statement to the effect that a Government agency is necessary to furnish capital to business because banks are unwilling to lend, is an unjustified criticism.

A Mistake Clinic

WILLIAM Z. HAYES, Acting Vice-president, Republic National Bank, Dallas, before the New Mexico Bankers ASSOCIATION.

WE all know of complaints, of weaknesses in our fabric that our daily routine brings to light. Make a note of them! Keep them in a diary, as a banker I know does. He calls it the Morgue Book, and makes daily, sometimes hourly entries of mishaps, mistakes, missteps, minor clerical defects, which are constantly cropping up.

Then what? Every other Thursday night the employees come to school. They learn a great deal in that school, too, but perhaps the most valuable part of the two and a quarter hours they spend there is the 45 minutes devoted to discussing the corpses in the Morgue Book.

The incidents, one by one, are dragged out, laid upon the dissecting table, and cut up to find out what is inside them. And when 60, 80 or 100 men have had pictured to them the inner workings of a mistake, they are much less likely to

permit it to happen again.

I believe there is a too frequent tendency among bankers to hide our sore spots, to be secretive about them. We lost a hundred dollars here, a thousand dollars there, a \$10,000 account from this one, the friendship of another one, and we feel it is a disgrace and no other member of the staff should know it. We dig a hole and bury it like a dog buries a bone, with all the attendant dangers of its being dug up in the shape of a repetition of the error by an ignorant staff member whose plea, when we tax him with it, is that he never knew such a thing could result from what he did!

Power Over Credit

PHILIP A. BENSON, President, American Bankers Association, before the Wisconsin Bankers Association.

WE have greater need now than ever before for public education on the nature and service of banking institutions, for renewed efforts are being made to undermine the chartered banking system of the country and substitute for it a politically operated banking system created under a professed but unreal social need. In this campaign against the chartered banking system banks are being charged on a wider scale than ever of failing to perform their proper function; that is, the provision of the necessary flow of credit to business, which needs such credit in order to live and provide necessary employment.

Note the change in the attack. No longer are bankers called "money changers." Now they are charged with deliberately retarding recovery, of cutting their own throats rather than lend their funds.

This sort of criticism is not accidental. I doubt if much of it is spontaneous. We see it pouring out of Washington every day through the columns of the press. We shall probably have need of meeting this criticism.

It is commonly agreed that one of the great banking evils of the 20 years ending with the depression was the excessive chartering of banks. These superfluous banks were created with the idea that banking was an easy way to make money or were organized by men dissatisfied with the lending policies of soundly managed banks.

Ever since 1930 the supervisory authorities have been cooperating in efforts to reduce the number of superfluous banking offices and prevent the establishment of new ones where banking facilities were already adequate. This program is predicated on the sound theory that a banking system consisting of more banks than the needs of the country can support will be an unsound banking system. Wholesome efforts have been made and are being made to correct this over-banked situation wherever it exists.

ANOTHER SAVINGS BANK SYSTEM

AND yet there is pending before Congress now a bill which, if enacted, would virtually establish another savings bank system alongside the existing national bank system and the state bank systems, which include, of course, the mutual savings banks, and this new system would be wholly outside the control of the existing supervisory authorities—free to establish its institutions without regard to the general banking picture.

Under this bill Federal savings and loan associations, already conducting in many places a demand deposit business, would be permitted to make practically the same kind of loans and investments as savings banks and would stimulate savings banks.

The savings and loan or building and loan association is a tried and useful institution. Such associations have served well in this country and in Great Britain for more than a century as home ownership financing institutions, wherein people accumulated savings through the purchase of shares on an instalment plan devoted exclusively to the financing of the building and purchasing of homes. We may give them credit for their useful service.

If these institutions are to be converted into banks, they

Recovery's Simple Elements

THE elements of sound recovery and re-employment are so obvious and simple that it seems strange that they have not been employed: A pro-business policy, a pro-capital policy, tax modification, a recognition of the social usefulness of business, restoration of faith in the future, and the release of the initiative and energies of all the people the sum of whose initiative and energy make up the American enterprise order.—Mr. Benson before the American Institute of Banking.

should be subject to supervision and regulation by the existing banking authorities. If they remain as they are, the public should understand that monies paid into them are not deposits but payment on shares.

On the commercial side of the picture we are now hearing proposals that Congress create a financial tool-kit to contain insured loans as a means of making capital available to small business, and the establishment of governmental credit banks to provide capital for other enterprises.

The growing agitation for Government credit institutions may be for a new pump-priming process. Spending having become so discredited as a means of promoting recovery, it may be that the Federal authorities are about to shift the emphasis from spending to lending, Curtailing spending and embarking on a program of easy credit would conform more to current political thinking. The books could be balanced better. The country is not as conscious of deficit financing as it is of taxation.

There is no more direct way to capture control of a nation than through its credit system. If government is to be the dispenser of credit and capital it may also become the arbiter of the use of credit and capital. Under such a system the time may come when the power over credit may become the power to silence opposition. I do not believe that government should use its credit to create wealth. Should the Government acquire the productive plants of this country, our cherished liberties will have vanished. The public needs to understand these proposals, which represent a radical departure from the American conception of free enterprise.

I maintain that the banking system is fulfilling its function, performing its duty. In this country we have built up a capital and credit machine responsive to our needs. Sometime this system has gotten out of order. At times it has not worked smoothly. But by and large it has served the country well

The fault has not been with this machinery. It has been with the entire economic order. Credit is not being used for this reason. If government adopts attitudes and employs policies that restrain the economic machine it does not make sense for it to complain because it doesn't work up to standard or live up to expectations. I still believe the economic system will work effectively if it is permitted to. I believe the credit machine is working to the extent that the business machine will use it.

Banks are doing their utmost to make loans; they are organized for that purpose. Bankers are trained to make loans. They need loans and loans are their best form of earning assets.

Classified Time Depositors

THOMAS A. WILSON, President, Marine Midland Trust Company, Binghamton, New York, before the New York STATE BANKERS ASSOCIATION as President.

A STUDY of deposits in our interest departments will quickly show that there are certain definite types depositing in these accounts. There are the smaller active accounts where individuals save nominal sums to meet already known expenses, such as taxes, insurance premiums, vacation trips, etc. These individuals come to the commercial bank because it is a safe and convenient place to put their money.

There are others we might call the security type of depositor. When the market seems too high he sells his securities and brings the proceeds to the bank and deposits them in an interest account. However, this type withdraws the money immediately when he thinks securities can be bought on a favorable basis. This is what has been termed "hot money."

3%-

he

are

ng

in

all

dit

ons

ing

, it

the

ing

rm

al-

icit

ion

the

ter

the

the

ent

rn-

er-

un-

de-

pa

nenot

try

een

for

ovs

ake

nd-

mic

the

ess

or-

ns.

ing

NG

The third type one might call the bank investment type of depositor. Many of these accounts have been in banks for years. These depositors have no thought of withdrawing the funds but use the income as they would from any other kind of investment. This latter class, in my opinion, is being treated unjustly at the present time. They are being punished on the income received by the activity of the small convenience depositor and the threat of withdrawal of the security type of depositor.

It seems to me that bankers should create a plan whereby depositors of time money can classify themselves and then live up to the rules according to classification. In my judgment, those who wish to obtain their money on demand should abide by the rules as they exist today, and should receive a nominal interest income, possibly ½ of 1 per cent. Those who wish to leave the money for a minimum of six months, with a three months' notice of withdrawal in writing, should be entitled possibly to 1 per cent and those who are willing to leave their funds for one year, and in addition give a six months' notice of withdrawal in writing, should receive $1\frac{1}{2}$ or 2 per cent.

Opportunities

Dr. HAROLD STONIER, Director, The Graduate School of Banking, before the Class of 1941.

ONE of the greatest contributions of this School to your professional careers lies in the opportunities it affords men of kindred interests to form friendships in an atmosphere where mutual helpfulness is predominant. Make the most of these opportunities in friendship.

Without reservation the greatest asset of The Graduate School is its faculty. It rekindles one's faith in human nature and in banking to know that a corps of busy and highly trained men are so willing to assume the ardent responsibilities imposed upon them by taking leadership in this educational enterprise. Their hearts as well as their minds have been in this undertaking, and that is why it has succeeded.

When Bank Presidents Say: "...! would like in express my appreciation for the minimum effort oil cooperation in this onther." ".....We are more and more resolved to continue sending Purse material to our with this compaign n.... Returns on our mailings have been the highest ever received by us at any time. directly traceable to but our finger on business directly traceable to this compaler ... The have been fully compensated for the expenditure." ".... We found that replies were coming for the out with the least of the least of the list."

Such results have made The Purse Company the oldest and largest institution specializing in Trust new business development in America. • Purse programs are individually prepared to meet your particular needs. • Will you permit us to present complete details for your consideration?

THE PURSE COMPANY

CHATTANOOGA NEW YORK CHICAGO LOS ANGELES BOSTON

Reservoirs of Risk Capital

ROBERT M. HANES, First Vice-president, American Bankers Association, and President, Wachovia Bank & Trust Company, Winston-Salem, N. C., before the NATIONAL INDUSTRIAL CONFERENCE BOARD.

THE great economic lack at the present time is a flow of risk-taking capital. Practically all authorities are agreed on that. And they are also agreed that this lack is one of the greatest single factors accounting for the failure of recovery.

The simple truth seems to be that risk-taking capital—investment capital that builds an economy—is not being put to work.

Unfortunately the public does not seem to understand the distinctions between the different forms of capital. There is a great deal of regrettable confusion on this point. By and large the public makes no distinction between investment capital and credit. It loosely groups all the funds used by enterprise under the generic term, credit, and draws no line between investors and lending institutions.

It seems to me that two definite distinctions should be drawn in the public mind. It ought to be clearly understood that risk capital comes from two sources. These are individuals with capital to invest in new enterprises or the expansion of existing enterprises, and corporations with capital to invest in new products or re-equipment of plant and expansion of present plant. Generally speaking, lending institutions that use the public's funds, such as banks, insurance companies, and savings and loan associations, are carefully restricted by law in the employment of such funds. Even the investment trusts appear to be on the way to similar control.

Is there any risk capital available that might be taking risks but is not taking them? Indeed there is, though the volume tends to diminish under the pressure of social tax programs reflected in such measures as the capital and undistributed profits taxes and high income taxes.

All the evidence indicates that those whom we call the "rich," who can best afford to take risks, are investing their funds in the safest investments they can find and will continue to do so under governmental policies hostile to profits. Likewise, corporations will not undertake programs of reequipment or expansion, nor will they launch new products in an anti-business atmosphere or in the face of tax policies inimical to profits.

Undoubtedly there are large reservoirs of risk capital and initiative waiting to be released for use in new enterprise or in old enterprise.

Through Organized Effort

AS American banking faces the future it is imperative that its forces be effectively organized to meet the needs and cope with the problems that lie ahead.

Within the business of banking itself, there are also many problems. The need for better standards of management, safeguarding the banking system against mistakes of the past, decreasing loan volume and low interest rates, large holdings of bonds in bank portfolios, higher operating costs and taxes, voluminous legislation and regulation, the necessity of adapting banking services to changing needs—these are conditions that challenge the ingenuity and intelligence of banking executives. We cannot hope to deal successfully with these conditions except through organized effort.—Mr. Hanes before the Georgia Bankers Association.

The tremendous drop in the volume of stock and bond issues since 1930 as compared with the pre-depression volume, demonstrates the degree to which investment in American enterprise has declined, and this in itself explains to a large extent the continuation of unemployment and its attendant ills. For 12 years prior to the depression, the average annual flow of new money into business, through the sale of securities, was 3¾ billion dollars, whereas now it has dwindled to less than one-fifth that amount.

No amount of Government spending will cure this condition. Government spending may for a time increase the purchases of consumption goods, may temporarily step up sales of heavy goods. But Government spending creates no new enterprise and is not a substitute for private investment.

The importance of risk-taking capital versus Government spending is indicated when we consider that from 1919–1929 more than \$210 billion was spent for producers' goods, for construction, repairs, and maintenance, or an average of \$19 billion a year, while the United States Government has spent for all purposes \$151 billions during its entire history.

The probability is that we shall not see risk-taking capital going to work without a greater public recognition of the social usefulness of enterprise reflected in a program of taxation and other governmental policies encouraging to business.

Real Progress

CONTRARY to the belief of many, the possession of natural resources is not a guaranty of well-being or prosperity. It is the lack of material well-being which is the cause of most of the wars, the revolutions and the unrest within nations. And since it is business with the aid of science that is the creator of material well-being, it is to business, developing and expanding under a system of free enterprise that we must look largely for the improvement of the lot of mankind.

In this country we began with democracy in politics. We followed with democracy in education and in spite of temporary setbacks and disappointments we have made real progress toward the goal of democracy in material well-being, a goal that is to be attained not by taking away from one and giving to another, but by producing more for all. Success will mean much for the cause of peace and the happiness of mankind.—Walter S. Gifford, President, American Telephone and Telegraph Company.

An Independent Banking System

PAUL F. CADMAN, President, American Research Foundation, San Francisco, before the American Institute of Banking.

If the major financial agencies are controlled by the Government, then business is controlled by government. Any ruling power that can fix the value of money, that can extend its own credit indefinitely, that can operate extensively in the field of foreign exchange, that can fix the interest rate, and can itself engage in lending to private individuals and public and private corporations, has the destiny of industry and commerce in its hands.

Inherent in Government banking are certain well defined dangers: First, the temptation to over-expand Government credit, and secondly, the willingness to use the facilities for economic experimentation which is too often influenced by political considerations.

The American people are increasingly aware of the value of their independence in business, in social relations, and in politics. They are coming to see that you cannot have an over-managed economy with a free government any more than you can have a free economy under arbitrary government. We have declared ourselves almost unanimously against the controls now imposed by the German, Italian, Russian, and Japanese Governments.

American industry and commerce, submitting to necessary limitations, cannot enjoy that degree of freedom which will be worthy of the name of liberty without an independent banking system—one which gathers together the savings of an independent people and administers them in the operation of and development of free enterprise.

Capital Loan Mechanism

ROY A. FOULKE, of Dun & Bradstreet, Inc., before the NEW YORK STATE BANKERS ASSOCIATION.

IN normal times, the larger successful corporations obtain financing in the investment market. There has never, however, been an organized financing market for concerns with net tangible investment from \$50,000 to \$500,000. Some concerns in this group have obtained funds from wealthy individuals and some from affiliated concerns, but with the high income tax on the wealthy this important source of investment money has largely dried up.

It is just possible that the banking profession could fill this widely recognized need by the organization of a limited number (12 to 20) of intermediate credit banks, that would make long term loans from two to twenty years for capital expansion to progressive concerns within this capital range. The stock in these intermediate credit banks would not be owned by governmental agencies but by local commercial banks and trust companies.

trust companies.

nd

ol-

eri-

o a

its

er-

ale

nas

di-

he

up

nt.

ent

29

for 19

ent

tal

he

ta-

to

Ve

n-

g-

ıg,

ne

II.

he

ıt,

IG

In this way commercial banking institutions would be providing the mechanism for making capital loans to concerns of moderate size, they would have an affiliated source to which they might logically refer requests for long term credit to be used for capital expansion, and they would be limiting their investment very definitely in the nearest intermediate credit bank, which would be sound banking policy.



In building... rust-proof Anaconda Metals increase investment values

COPPER, brass and bronze save upkeep for the homeowner, and, by preserving

the useful life of the house, enhance its value as an investment.

Building materials such as copper and brass water pipe, Everdur hot water tanks, copper sheet metal work and bronze screens cost so little more than temporary, rustable products that, in terms of service rendered per year, per dollar, they are far more economical.



THE AMERICAN BRASS COMPANY

General Offices: Waterbury, Connecticut Subsidiary of Anaconda Copper Mining Company In Canada: Anaconda American Brass Ltd., New Toronto, Ont.

Anaconda Copper & Brass

The Banker and His Public

W. RANDOLPH BURGESS, Vice-chairman of the Board, The National City Bank of New York, before the California Bankers Association.

NO BANKER may claim with justice that he entered his profession without due warning that it was not a popular undertaking, for a good many years ago Mr. William Shakespeare had this to say:

"Neither a borrower nor a lender be,
For loan oft loses both itself and friend,
And borrowing dulls the edge of husbandry."

The banker is both a borrower and a lender, and we can all certify to the truth of the psychological reaction described by the phrase, "Loan oft loses both itself and friend". There is the equally strong feeling of the would-be borrower or the merely impecunious. Everybody wants money, and the banker has it. That is particularly true at present; bank vaults are bursting with money at a time when most people have all too little.

One need go no further to realize the difficulty of instilling in the emotions of the people a liking for the banker. When nearby Hollywood is writing its scenarios the natural thing is to make the villain of the piece a banker, and if he is to be a particularly villainous villain he should be a New York banker.

What's to be done about it? One first conclusion which may safely be drawn from the events of recent years is that the banker cannot afford to ignore public reaction, for the public has demonstrated its readiness to enter precincts once regarded as sacred to private enterprise, and to attempt in one way or another to alter the economic machine even to its fundamentals. Recent experience has also shown that in this undertaking the public often makes serious mistakes. But even so, the next step is fully as likely to be even more public participation in private enterprise rather than less. Nobody doing business in these days may safely ignore public opinion.

JUSTIFIED IRRITATION

AGAIN, we must all recognize that with respect to banking the public has a considerable justification for irritation and concern. In the past decade millions of people have lost money in closed banks; many more were embarrassed by the "banking holidays". The more thoughtful know that the breakdown of our banking system contributed to the greater depth and longer duration of the depression in this than in other countries. The banks also were not wholly blameless for the excesses of the late Twenties and the subsequent speculative collapse, with its influence on the economy.

Now the banker may not fairly be charged with major responsibility for these troubles. History will be engaged for many years in untangling cause and effect in the economic confusion of the period. But it is my belief that when the untangling has gone far enough the responsibility will be shifted from wicked individuals to the economic mechanism in its broadest sense with all its laws, practices, and traditions, badly dislocated by the great war. As far as banking is concerned, there is much evidence to support the view that we have had in many respects a poor banking system in the United States, one ill-adapted to a great and rich country. Many banks have made fine records during this trouble

period, yet the number of bank failures, not simply in the depression but for many years earlier, was larger than almost anywhere else in the world. An epidemic of bank failures can do more damage to the reputation of banks than can be repaired by years of sound and effective operating service, or thousands of pages of advertising.

But man who pos

all

acti

as a

the

to

as a

effe

act

WO

irr

act

of

us

of

th

th

19

W

W

FU

SI

The individual banker may, of course, say with much justice that he is not responsible for the general nature of the banking system. He may well say that the Government has long determined by law the nature of the system in some detail, and therefore Congress and the supervising authorities were responsible. But can we escape in this fashion? Has not the banking profession as a whole the major responsibility for the way banking is done? Do we want to "pass the buck" to the Government? Do we wish Government to write even more detailed specifications for the banking system?

There is, I believe, a little real difference of opinion among bankers on these points. They believe there are too many laws already, some of them conflicting, many producing left-handedly results quite different from those intended, the mass of them as a whole constituting such a labyrinth that much of banking policy has to be decided by the lawyers.

Certain types of bad banking may be prohibited, but good banking cannot be legislated. In the long run the quality of the banking system will be decided by bankers, by their character, their energy, their ability, their statesmanship, and the reflection of these qualities in the practice and the traditions which are built up over a period. Banking is and will be what bankers make it.

THE WEAKNESS OF BANKING

THERE is much in the banking tradition of this country of which we may well be proud. Thousands of banks have earned the goodwill of their communities. Thousands of bankers are respected, as leading citizens of their communities. The standards of integrity, capacity, and human kindness are as high as in any profession.

Where, then, is the weakness of banking? Why the breakdown in 1933? There were, of course, too many cases of bad banking, but the principal answer seems to me illusive and a little paradoxical. It is that the individual banks were on the whole, and with some exceptions, fairly well managed, but the banking system was badly managed. We apparently know much about how to run banks, but little of how to run a banking system.

This sounds a little insane. Let me illustrate. In the late Twenties the banks were making large loans to brokers and individuals against stock exchange collateral, and making some of these loans not only for their own account, but also for account of their customers. It was good banking business,—for the individual bank; the rates were attractive; the loans were mostly well margined. But for the banking system as a whole a speculative position was built up which was one of the major causes of the 1929 crash.

Another illustration of the opposite sort. In the Autumn of 1931 when England went off the gold standard and large gold withdrawals from this country began, many banks took steps to make their position more liquid. They sold bonds, they restricted their output of funds,—a quite proper conservative step from the point of view of the individual banks.

But action of this sort by many banks wrecked the bond market, and the net result was to impair the position of the whole country as well. It was quite unnecessary, as the gold position of this country was strong enough to take care of

These are two cases where the sum of apparently sound action by many banks was unsound for the banking system as a whole.

e

ľ

1

t

2 -

Œ

e

5

The question may today be raised whether the banks in their anxiety to employ funds are not driving money rates to levels which may prove damaging to the banking system as a whole, and to the country's well-being also through the effect on the rate on savings.

There used to be an economic notion that if everybody's action was dictated by enlightened self-interest the sum would be a sound and progressive economy-a pleasant and irresponsible theory—but not true. In some matters we must act cooperatively and in the common good.

Here then is the proposition, that from the point of view of public relations the prime essential is not simply sound, useful banks, but also a sound banking system. There are, of course, many other aspects of public relations, many other things to which we as bankers should give attention, but the bankers' public enemy number one is major weaknesses in the banking system as a whole.

PROGRESS

IN the past six years some progress has been made towards a sound banking system. Through the disasters of 1931 to 1933 many weaker and less well managed banks were weeded out. The establishment of Federal deposit insurance, while still decidedly on trial, has lessened the danger of bank runs and placed thousands of banks under more effective supervision. The provision that all banks over a given size must become members of the Federal Reserve System by

The Best Public Relations

WHAT the bankers themselves do about their profession is perhaps more potent than the action Government takes, and will indeed largely influence legislation and Government administrative action. Here there are encouraging signs. For some years now the American Bankers Association has been bringing together a group of the best young men in banking to study the profession in the Graduate School of Banking. The Reserve City Bankers Association has launched a substantial program of research. These appear to be but symptoms of a new approach by bankers to their problems, a desire not only to run their own banks well but to understand their profession more fully, and on the basis of that understanding to build a sounder banking system. That is the best possible public relations program.

- DR. BURGESS.

1942 will constitute a great step forward, if it remains on the statute books. Certain specific weaknesses have been dealt with through legislation, including restriction on security loans and limitations on the interest banks may pay on de-

But on the other hand certain weaknesses remain and have even been accentuated in recent years. Some of these have been discussed in the latest annual report of the Board of Governors of the Federal Reserve System. The report mentions particularly the dispersion of supervisory powers and of powers of monetary control among a number of different governmental agencies.

Public Financing Today

JOHN K. STARKWEATHER, President, Bond Club of New York, before the New York Financial Advertisers.

IT IS not surprising that industrial companies are evidencing a growing inclination to place privately the securities they issue for new money or for refunding purposes, in view of the difficulties and risks surrounding the sale of securities to the public under the Securities Act requirements.

The greatest difficulty in effecting public financing today lies in the extended delay occasioned by the process of Federal investigation between the filing of the securities at Washington and their eventual release for sale, during which period of uncertainty the company has no assurance that it may sell its securities or that they will find a ready market. There is to be considered, too, the great cost involved in the filing of voluminous registration statements and preparation of lengthy prospectuses.

The trouble with the securities business today is that the

security salesman must either tell nothing about a security or give every single item of information there is about the security and the issuing company, or render himself liable to heavy penalties. Under these conditions he can do business in the best known securities where there is no question as to the worth of the issuer and the value of the security. But he cannot easily do business in the securities of lesser known companies. He cannot go out and sell such securities because, without incurring impossible expense, he cannot present all there is to know about the security.

We need a revision of the securities acts to allow business to pursue a reasonable course unmolested, and it is necessary that American business men be recognized and treated as fundamentally honest rather than dishonest.

We need above all the realization that business is important to this country. Industrial recovery and progress is impossible on the theory that business success is unimportant to our country.

The Lunatic Fringe

have men and women, some of them native-born Americans of old lineage, who favor a dictatorship for this country and sympathize with the brutalitarian regimes abroad. These individuals, however, are mainly members of that lunatic

OF course, we have our muddied streams here, too. We fringe which is to be found even in the best governed and most freedom-loving countries. Fortunately, at least for the time being, our parlor brutalitarians, crackpots, bigots and racketeers are a very small minority.—HAROLD L. ICKES, Secretary of the Interior.

Heard at Grand Rapids

Following are excerpts from some of the Departmental Conference papers read at the recent Annual Convention of the American Institute of Banking at Grand Rapids.

History

FORCED by the current attacks upon democracies and the bitter campaigns of hate issuing from the dictator nations, Americans are again taking stock of their institutions. The era of "debunking" our history is over and a more sober and truthful evaluation of our past achievements is being sought.—Thomas W. Symons, Executive Vicepresident, Suffolk Savings Bank for Seamen and Others, Boston.

Attention, Tellers

FORGERIES of Government checks, especially WPA checks, are now a source of considerable trouble. Always insist on proper identification before accepting checks, making a notation of the type of identification presented and also the serial numbers.—WILLIAM A. CARLSON, United States Secret Service, Detroit.

The Prospect's Angle

MEN in the field must have a thorough knowledge of their bank and the business it does. You cannot expect them to be experts in every line of the banking business, but they must have a general knowledge of the service which their bank renders. They must know the limitations of their bank's services; they must be able to recognize where the various services of this bank will be of real service to a customer or prospect and they must know enough so that they do not overstate that which their bank can accomplish under any given circumstances. In addition, the salesmen must be trained to sell.

To think from the prospect's angle, to think in terms of his business is the right way to sell—after all, that's what he is interested in; he isn't interested in my bank. He is interested in his company, and he is interested in making profits for his company.—RAY A. ILG, Vice-president, The National Shawmut Bank, Boston.

If-

IF any one of us, as an individual, believes he has no future to look forward to, time will prove the truth of that viewpoint. If a business organization believes that it is all washed up, it is. If we Americans persist in the viewpoint that our national future is behind us, and that nothing lies ahead, then that will be true.—J. Stanley Brown, Personnel Director, Chemical Bank and Trust Company, New York.

Character

ANY discussion of the fundamentals of credit analysis, it seems to me, should begin and end with emphasis on character. If the applicant does not have character, he is not entitled to any credit.

Most people are honest, but in times of adversity, it becomes convenient for some to forget the distinction between a note which is an obligation and a share of stock which gives the owner the right to share losses as well as profits. Therefore, when individuals, businesses, or even

countries seemingly forget their obligations, it is time for us to strengthen our moral fibre.—RALPH D. WITHINGTON, Assistant Cashier, The Philadelphia National Bank.

an

SE

ab

Finding Borrowers

THE banker, by nature, is a lender. And if the borrower, by virtue of circumstances, does not come to the banker, then there is but one alternative—the banker must go find the borrower.

The banker is exceedingly anxious to make loans, modifying the word "loan," of course, with the adjective "safe," but being willing, if necessary, to depart from what has been considered orthodox.— Chris M. Smits, Vice-president, Continental Illinois National Bank and Trust Company, Chicago.

Estate Planning

CORRECTLY defined, estate planning embodies questions of improving the size and condition of the estate, the problem of taxes, estate expenses, debts, and the difficulties involved in management and distribution in order to produce the most practical and beneficial results. The first step is carefully to analyze the character and quality of the various assets of which the estate is composed, the probable debts, estate and inheritance taxes, expenses and shrinkage in the value of the estate assets.

One of the most important phases of estate planning is to determine in what manner a rearrangement of an estate prior to the death of its owner will result in a sufficient increase of this net residue or true estate to actually accomplish his desired purposes.—WILLIAM HARDIN GOODMAN, Vice-president and Trust Officer, The Florida National Bank of Jacksonville.

New Trust Accounts

IT is suggested that when you are considering a new [trust] account you ask yourself these five questions:

First, is the account profitable? Second, is our institution properly equipped to handle it and to give it the best possible service? Third, are the purposes of the trust proper? Fourth, are the individuals or companies involved of good character? Fifth, is the trust instrument by which we are to be governed satisfactory from every standpoint?—George E. Parker, Jr., Assistant Vice-president, National Bank of Detroit.

Consumer Credit

CREDIT for the consumer has developed beyond the stage of theory and has become an integral part of our system. It must, however, be kept in control. It is in control when the consumer is financed conservatively. The major abuses of "wildcat" credit have been reasonably curbed through legislation, and by the integrity of the majority of time sellers and lenders.

The instalment plan is as useful a device for consumer credit as the trade acceptance is for business credit. It converts indefinite credit into controlled credit. Its soundness depends on three values—value of goods, credit value of customers, and good faith value of supplier of credit.—John B. Paddi, Assistant Vice-president, Manufacturers Trust Company, New York.

Tailor-made Investment Programs

ROBERT L. GARNER, Vice-president and Treasurer, Guaranty Trust Company of New York, before the Massachusetts Bankers Association.

for

ON.

ver.

er.

ind

ify-

ie,"

has

esi-

om-

ons

ties

-010

tep

the

ble

age

s to

ate

in-

ac-

OD-

Na-

new

ion

oos-

er?

ood

e to

RGE

k of

age

. It

the

of

ugh

lers

mer

It

nd-

e of

HN

ust

NG

LET us assume that we are each charged with developing an investment program for our own bank, and go through the process of analysis necessary to arrive at the desired result. I shall outline a plan of procedure for going about this task

We shall begin with a study of the type of our business and an analysis of our assets, liabilities and capital funds, to determine what function our investment account is to perform. As a first step in this study we shall consider the general size and type of our community, the character of our customers and their requirements for credit, and the effect of seasonal or other variations on our business.

We shall next analyze our deposits, both demand and time, from the standpoint of their probable fluctuations, segregating those which appear to be temporary from the normal deposits and giving special attention to large accounts which may be particularly unstable. We should give careful consideration to the rate paid on our savings accounts, which may be one of our heaviest items of expense, and one which is subject to our control.

We shall study our customer loans and mortgages to determine which are current and which are of less liquid character, with a careful segregation of those doubtful items on which there may be probability of losses. Obviously, the quality of such loans and mortgages and the income from them, are basic factors in determining an appropriate investment program.

Finally, we shall consider our capital funds, which are a margin of safety for our depositors and which must be adequate to absorb any losses which may occur, either on our loans or securities.

Having analyzed the condition of our bank itself, we should give some thought to the general business and economic situation. Without attempting to be economists we should endeavor to use our common sense in judging the general trend of business and money rates, for their probable effect on our operations.

MEASUREMENTS OF A BANK

IF we have put on paper the results of the above analyses, we shall have the essential measurements of our bank to determine what we need in the way of income and liquidity from our investments. Therefore we can now establish objectives for our bond account as to desired income, quality, maturity and diversification, thus laying the broad outlines for our program.

It will be helpful if we divide this program into two parts—our requirements for liquidity and for income. We shall therefore separate our investments into two classes: first, secondary reserves for short-term, prime securities or other paper, to give us liquidity, and second, an investment account, the primary purpose of which is to produce income.

Assuming that investment is to be confined to quality bonds, I think the next most important consideration is that we shall not buy bonds in amounts greater or of longer maturity than we shall be in position to hold to maturity, if necessary. If our bonds are of high quality, and if we are

able to carry them through a protracted market decline due to a rise in money rates, I think we have the fundamentals of a sound investment. As to the selection of maturities, I believe that a revolving fund of spaced maturities is the most desirable arrangement. This provides a hedge against changes in money rates and gives a desirable degree of stability to investment income.

Our next step will be to select the specific issues. I hope that we will adopt the cardinal principle that we will investigate bonds before we buy them, and not afterwards.

To the extent that we substitute high-grade for lower-grade bonds, our income will be reduced, perhaps below what seems to be required. What can we do about this? In the first place, we may be paying a rate on our savings deposits which is excessive under present circumstances. In my opinion, rates generally being paid are too high in relation to existing yields on quality securities; this subject deserves as careful consideration as any in the banking field.

Aside from the potential saving through reduction in interest paid, we may, of course, increase our investment income by additions to our portfolio or by some extension of our maturities.

WHAT AND WHEN TO SELL

HAVING outlined the investment objective which we desire to reach, we shall then analyze the individual issues in our portfolio and decide what and when to sell. If we are to improve the quality of our bonds, then probably we should first start eliminating the most speculative issues. Aside from selection of the issues to be sold, the question of when to sell is most important. I think most of us are likely to err in being too slow rather than in moving too quickly. It should facilitate our selling plan if we list the securities to be sold first, set a time limit (say 30 days) and at the end of such period check results against our objective. Then we should set another objective and thus plan to proceed in successive steps to an orderly cleaning up of our entire portfolio.

We are now prepared to consider the adequacy of reserves which we have available to offset possible losses and depreciation in our securities account, and to plan for any required strengthening of these reserves. This should lead us to a sound and uniform treatment of security profits which, in my opinion, should not be taken as current income, but should be used in some form as a cushion for the future.

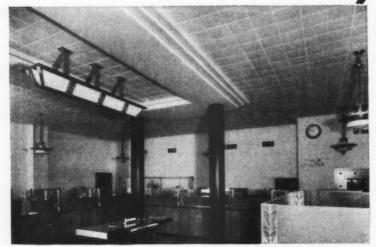
Having determined all of the above points, we shall then summarize our conclusions in a written program for approval by our directors. The extent of directors' participation in the policy and management of the investment account will vary in each bank, dependent probably upon the extent of their active participation in other affairs of the bank. It seems to me, however, most desirable to have directors as thoroughly informed of and sold on the investment policy as is possible. An investment program is particularly susceptible to hasty and ill-considered alteration, so that it is important to protect against well-meaning but erratic pressure from directors. It seems to me that this can best be done by building up in them a respect for the determined program because they understand and approve the foundation on which it is based.

BANKING'S Advertisers

July 1939

Allen Wales Adding Machine Corp	81 63	Hay-Adams House, Washington, D. C Home Insurance Co	10
American Telephone & Telegraph Co	16	Insloan, Inc.	71
Anthracite Industries, Inc	48	Institute of Bank Stationers	
Armour & Co	69	institute of bank stationers	y
Baltimore & Ohio Railroad Co	87	Levey Printing Co	13
Bankers Box Co	69		
Bankers Trust Co	8	Marine Trust Company of Buffalo	61
Burroughs Adding Machine Co	53	Maryland Casualty Co. Moody's Investors Service.	7
Canadian Bank of Commerce	10		
Carrier Corp.	6	No. of the state o	
Celotex Corp.	86	National Bank of Detroit	
Central Hanover Bank and Trust Co	67	National Cash Register Co	
Chase National Bank	51	National Surety Corp	TH
Commercial Investment Trust, Inc	15		
Continental Illinois National Bank and Trust Co	62	Pawtucket Mutual Fire Insurance Co	71
Curtis 1000, Inc	10	Philadelphia National Bank	14
		Portland Cement Association	72
DeLuxe Check Printers, Inc.	5	Public National Bank and Trust Co	13
C. J. Devine & Co.	9	Purse Company	
Douglas-Guardian Warehouse Corp.	64		
Douglas-Guardian warehouse Corp	04	D C D II o C	
		R. G. Rankin & Co	
Felt & Tarrant Manufacturing Co	2	Recordak Corp	
Fidelity and Deposit Company of Maryland	12	Royal Bank of Canada	17
First National Bank of Chicago	59		
First National Bank of Memphis	69	Secured Negotiable Instruments, Inc	66
First Wisconsin National Bank	5	Standard Accident Insurance Co.	60
Corp	55		
Fulton National Bank	71		
Fullon National Dank	/ 1	Third National Bank in Nashville	
		Todd Combustion Equipment, Inc	
General Foods Corp		Texas Corp.	
General Motors Acceptance Corp	17	The Todd Co., Inc.	.11
Halsey, Stuart & Co., Inc.	65	Whiting-Plover Paper Co.	66

Don't Tolerate Costly NOISE



Noise made a "hasty exit" and was replaced by comfort and quiet, when Acousti-Celotex Fibre Tile was applied to the ceiling of The Linwood State Bank Kansas City, Mo.



ACOUSTI-CELOTEX

Other Acoustical Products by Celotex:

CALICEL ABSORBEX CALISTONE VIBRAFRAM

IN YOUR BANK!

Let Acousti-Celotex Remove This Handicap to Comfort, Speed and Accuracy

Every day more and more bankers are coming to realize that routine noise is an enemy of efficiency. They are learning that echoing sounds—the clatter of machines, the slamming files, the clamor of voices—cause tension fatigue and "noise nerves" that increase costly errors and mistakes. That's why they are turning to modern noise control!

Actual figures show that distractions, interruptions, disturbances caused by *noise* can cut employees' efficiency as much as 12%! Small wonder then, that bankers are insisting on the *permanent* noise-controlling effects of Acousti-Celotex Fibre Tile.

Acousti-Celotex* can be applied right over present ceilings at low cost. Business need not be interrupted while work is being done. And when you specify Acousti-Celotex you have the assurance that your noise-control problem is settled for once and all. For due to the patented perforations in this modern acoustical material, even repeated painting cannot impair its sound-absorbing qualities!

Why not call your local distributor of Celotex acoustical products today? Have him make a noise survey of your bank, tell you without obligation, how modern acoustical treatment can save you money. Call him now or write direct to The Celotex Corporation, Chicago, Illinois.

Sales Distributors Throughout the World

*The word Acousti-Celotex is a brand-name identifying a product marketed by The Celotex Corporation and is protected as a trade-mark.

The Government Bond Market

HENRY LYMAN GREER, Vice-president, Fifth Third Union Trust Company, Cincinnati, before the AMERICAN INSTITUTE OF BANKING.

39

71

13

61

18

er III

13

66

ve

oming

tter of

ices crease

e turn-

ptions,

n, that

e-con-

present

rupted

pecify

or due ustical air its

elotex

n, how y. Call

ration,

product de-mark.

KING

ARE present prices for Government bonds artificial? My conclusion is that they are not. Consider the relative desirability of Governments or money rate bonds in general in comparison with the low grades. Whether it is a long-term buyer or one who limits purchase to five years, nothing but high grades seem to be wanted. This is partly post-panic psychology.

If nothing but highest grade bonds are acceptable to the investing public, which excepting municipals is 99 per cent institutional today, why does even this justify the present level for Government bonds? The answer is, of course, that there are not enough other high grade bonds, as proven by the fact that many issues that are triple "A" are selling three and five points above their call prices and with very narrow spreads between their yields and those on comparable Treasury maturities. Governments are also the most readily marketable in large quantities of any securities known. They make a good appearance on a financial institution's statement and there is the implication in the law that if necessary they may be granted rediscount privileges at par regardless of the market. On these facts it is incorrect to say that the present price of highest grade securities is artificial. Demand for top grade bonds in relation to a limited supply is strong enough to support the present price

Is a change coming? A quick answer is that there has been nothing since the beginning of time that has not changed. If you ask, "Is a change coming soon?" the answer is not so easy, though it probably is correct to say "on the evidence, no". What could bring a change in money rates? Obviously a change in the supply of credit. The two factors making up supply were gold and Government deficit financing. The tremendous amount of gold which has come into this country in the past year began thinking about coming over five years ago. Some of the more nervous holders in Europe started shipping then. It has taken the faith-shattering events of 1938-39 to bring the latest influx and it is my judgment that nothing is likely to occur that will bring about the reverse flow any more rapidly than it came here.

Is the Government going to contract the supply of credit? Are we going to have a balanced budget? Are laws going to be passed increasing reserve requirements sufficiently to bring credit supply within the range of Treasury and Federal Reserve control? Maybe some day, but they don't appear imminent. In handling a Government bond account the only suggestion that I can make is constantly to analyze the situation. Until business, individuals, or foreign governments, start to borrow, or the credit base contracts, money is likely to remain easy and U. S. Treasuries high.

The Baltimore & Ohio Railroad Co.

Summary of Annual Report for the Year 1938

Report of the Company's operations for the year 1938 is being mailed to the stockholders. Stated briefly, the results for the year show a decrease of 20.49% in gross revenues, or from \$169,436,436 in 1937 to \$134,722,330 in 1938, and an increase in the net loss, after all taxes and other deductions, from \$720,695 to \$13,124,530.

Total operating expenses of \$104,984,021 showed a reduction of \$23,875,-495, or 18.53%, compared with the year 1937. The expenses reflect an increase in wage rates which took effect in the latter half of 1937 and added about \$4,150,000 to the company's expenses in 1938.

Railway tax accruals, at \$10,412,774, reflected a decrease of \$505,781. Tax accruals include \$3,709,108 pay roll taxes covering unemployment compensation under the Social Security Act and the Carriers' Taxing Act of 1937 for the purposes of the Railroad Retirement Act.

CONDENSED STATEMENT OF OPERATING RESULTS

Year 1938	Year 1937	Decrease
Railway Operating Revenues:		
From Freight	\$147,212,330	\$31,785,952
From Passenger		
From All Other Sources 8,734,457	10,305,504	1,571,047
Total\$134,722,330	\$169,436,436	\$34,714,106
Railway Operating Expenses 104,984,021	128,859,516	23,875,495
Net Railway Operating Revenue \$ 29,738,309	\$ 40,576,920	\$10,838,611
Other Operating Charges:		
Railway Tax Accruals\$ 10,412,774 Equipment and Joint Facility	\$ 10,918,555	\$ 505,781
	4,749,740	275,999
	\$ 24,908,625	\$10,056,831
Other Income from Investments and		
Other Sources (Net) 4,207,959	6,554,711	2,346,752
Income Available for Fixed Charges \$ 19,059,753	\$ 31,463,336	\$12,403,583
Fixed Interest and Other Charges 32,184,283	32,184,031	*252
Net Income		\$12,403,835
(*) Denotes Increase. (D) Denotes Deficit.		

BALANCE SHEET

The balance sheet at December 31, 1938, shows total investments (less accrued depreciation) of \$1,078,104,478 and current assets of \$23,818,931. The total of interest bearing debt and leased lines obligations outstanding was \$683,808,070. Current liabilities amounted to \$26,855,503. The capital stock outstanding was \$315,158,485 and corporate surplus \$60,337,728.

The report presents a condensed statement of the Plan for Modification of Interest Charges and Maturities, and points out that of the total of \$542,-810,628 of securities affected by the Plan, voluntary assents have been received on \$469,481,178, or 86.49 per cent., from more than 57,000 holders.

DANIEL WILLARD, President.

Progress in Reverse

LAURENCE S. BELL, Vice-president, Union National Bank of Pittsburgh, before the Pennsylvania Bankers Association.

SOME months ago I made a comparative study based on the 76th Annual Report of the Comptroller of the Currency covering the year ended October 31, 1938. The total loans and discounts of all commercial banks as of June 30, 1938, as set forth in this report, amounted to \$16,272,000,000 as compared with \$34,474,000,000 in 1929; and are actually only \$300,000,000 more than they were in 1933, which I believe was the beginning of the first national emergency.

Loans secured by real estate mortgages, using the figures of this report, are \$645,000,000 less than in 1929, but \$400,000,000 more than in 1933. Collateral loans likewise are

\$3,778,000,000 as compared with \$11,500,000,000 in 1929 and \$4,578,000,000 in 1933. Commercial or business loans are \$10,000,000,000 less than 1929, and about \$1,100,000,000 more than 1933.

Meanwhile, our other investments are represented by all other bonds and securities, exclusive of municipal bonds which totalled \$8,200,000,000 in 1929, now amount to only \$3,930,000,000, which is \$700,000,000 less than in 1933. To be sure their holdings of Government securities now amount to more than \$14,000,000,000 as compared with \$3,740,000,000 in 1929; and we have today cash uninvested of more than \$15,000,000,000. In the five-year period total deposits have reached a new high figure of almost \$49,000,000,000, an increase of \$22,000,000,000 in a five-year period.

Is this not a picture of America's progress during the past five or six years — backward?

The Reconstruction of Free Enterprise

Senator Joseph C. O'Mahoney of Wyoming before the National Industrial Conference Board.

IT seems to me that a sensible program for the reconstruction of free, independent business enterprise will be based primarily upon the recognition of the fact that men have rights which rise superior to all forms of organization which they create and that it is essential for government to make effective such regulation as is necessary to maintain economic freedom.

Such a program would be based at least upon these principles:

1. Commerce and industry must be free from arbitrary restraints by both private and public power. No organization has the right to close the door of opportunity to any man.

2. The participation of labor in the production of industry and commerce must be increased. This is because the modern economic system rests upon a luxury plane. It is the production and distribution of things which are actually not necessary to life that supports the modern economic system. If such commodities and goods are to be sold, employment must be stabilized. It must be made permanent rather than intermittent. When that is accomplished we shall have a bigger and a better market for the products of the farm and of the factory.

3. There must be a decentralization of income, by which I mean a better distribution of income among the masses, not by taking wealth away from any group or class or person, not by breaking down big business, but by preserving opportunity to every individual and by building up small business.

4. The fact that corporations are not persons, but are economic institutions created by law for the better utilization of collective assets for the public good must be recognized. This would mean the effective abandonment of recognized abuses by which trade is restrained and the door of opportunity closed to the rising generation.

5. Government should undertake the encouragement of commerce and the stimulation of production and distribu-

tion by wise tax policies designed to reward enterprise and to provide opportunities for profit to those who have the brains, the courage and the initiative to create new opportunities for employment in the continued development of the unlimited resources which lie all around us.

"The Mead Law - And Then"



DING IN THE NEW YORK HERALD TRIBUNE

1929 pans ,000

y all onds only To ount 00,-nore osits

past

the orof

KG BERRY BE

G